

# DSP

## INVESTMENT MANAGERS

### Firm & Strategy Overview



| People | Processes | Performance |

February 2022

This is a marketing communication. Please refer to the Prospectus and KIID for more information on general terms, risks, and fees. Investors should only invest in the Fund once they have reviewed the Prospectus and KIID before making any final investment decisions.

# The DSP Group – Long History

## Successful time-tested legacy in the Indian financial markets

**150+**

**Years of existence (DSP Group)**

Among the oldest financial firms in India

### Founders of BSE

The family behind DSP Group included a founding member of the Bombay Stock Exchange

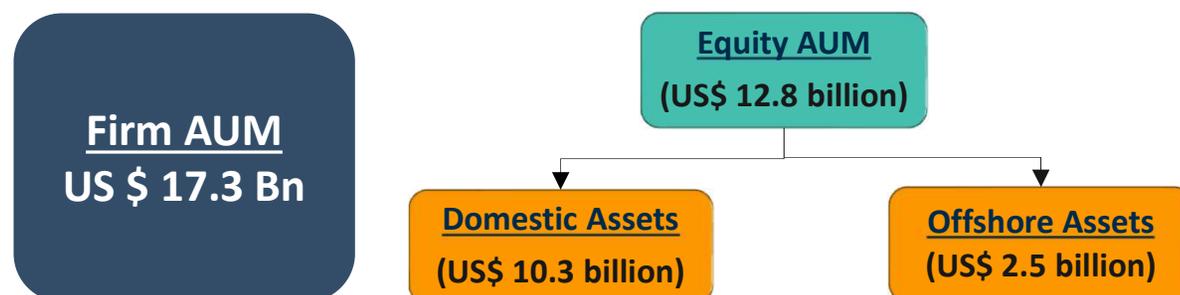
### Market Pioneers

Key figure in the professionalization of capital markets in India

**25 years**

In the Indian asset management industry

1. Core Business : Only Investment Management
2. Ownership that allows long term thinking : Family-owned and professionally-managed
3. Decades of good investment practices : from joint ventures with Merrill Lynch and BlackRock
4. Strong corporate access : DSP Group brought many of the top 300 companies in India to capital markets for the first time
5. Experienced Talent : 25 member Equity Investment team, having witnessed many market, economic & business cycles



Source: Internal, 31 Jan 2022; USDINR rate assumed 74.9674. AUM = Asset Under Management

# Our Principles

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1. Mindset: Long Term Alpha generation (~200-700) bps of alpha across strategies since inception)
2. Investors First: Close funds when margin of safety is low / valuations are sky high
3. Investment Frameworks are sacred: Build transparency, clarity & alignment with Investors
4. Sustainability: Gradually building ESG frameworks in our portfolios; signatory to UNPRI
5. Minimize Risk approach: 10<sup>th</sup> Man concept via “Skeptical analyst” to minimize accidents due to accounting frauds/ bad governance
6. Owners Mindset: via Long Term employee stock ownership plan & hence long term investment decisions
7. Skin in the Game: The DSP Group family invests their wealth in DSP Funds. DSP employees too invest in DSP Funds.

Source: Internal, Jan 2022. Alpha is defined as the excess return over benchmark. Bps = Basis points. ESOP = Employee Stock ownership plan

# Equity Investment Team



**Vinit Sambre (24)**  
Senior Vice President  
Head - Equities



**Rohit Singhania (23)**  
Senior Vice President  
Co-Head – Equities

## Portfolio Managers / Analysts / Sector Responsibilities

## Investment Strategists

PMS



**Atul Bhole (16)**  
SVP, PM



**Gaurav Pant (18)\***  
SVP, PM



**Abhishek Singh (15)**  
AVP, PM



**Bhavin Gandhi (16)**  
AVP, PM



**Jay Kothari (17)**  
SVP, Lead Investment Strategist & Head – International Business

PMs / Analysts



**Suryanarayanan Manian, CFA (14)**  
VP, Tech, Telecom, Media, FMCG



**Resham Jain, CFA (17)**  
VP, Small & Mid Caps, Agri inputs, Textiles, Chemicals, Retail



**Chirag Dagli (20)**  
VP, Healthcare



**Mahesh Ramasubramanian, CFA (12)**  
VP, Investment Strategist

Analysts



**Charanjit Singh (15)**  
AVP, Capital Goods, Infra, Power Utilities, Consumer Durables



**Chinmay Sapre (13)**  
AVP, Aviation, Realty



**Abhishek Ghosh (15)**  
AVP, Small & Mid Caps, Transportation



**Souvik Saha (4)**  
AM, Investment Strategist



**Kaushal Maroo (15)**  
AVP, Autos, Ancillaries, Cement



**Dhaval Gada (13)**  
AVP, Banking and Financial Services



**Nilesh Aiya (12)**  
AVP, Forensic Research

Plays the role of a **SKEPTICAL ANALYST** – a first of its kind role in the domestic Indian asset management industry



**Abhishek Rathi (15)**  
AVP, Financials & Industrials for Long / Short



**Aayush Ganeriwala (3)**  
Senior Manager, Oil & Gas, Metals

Source: DSP, as at Dec 2021. Years in brackets ( ) is years of experience. \*Gaurav is the Portfolio Manager dedicated for the India long/short hedge fund.



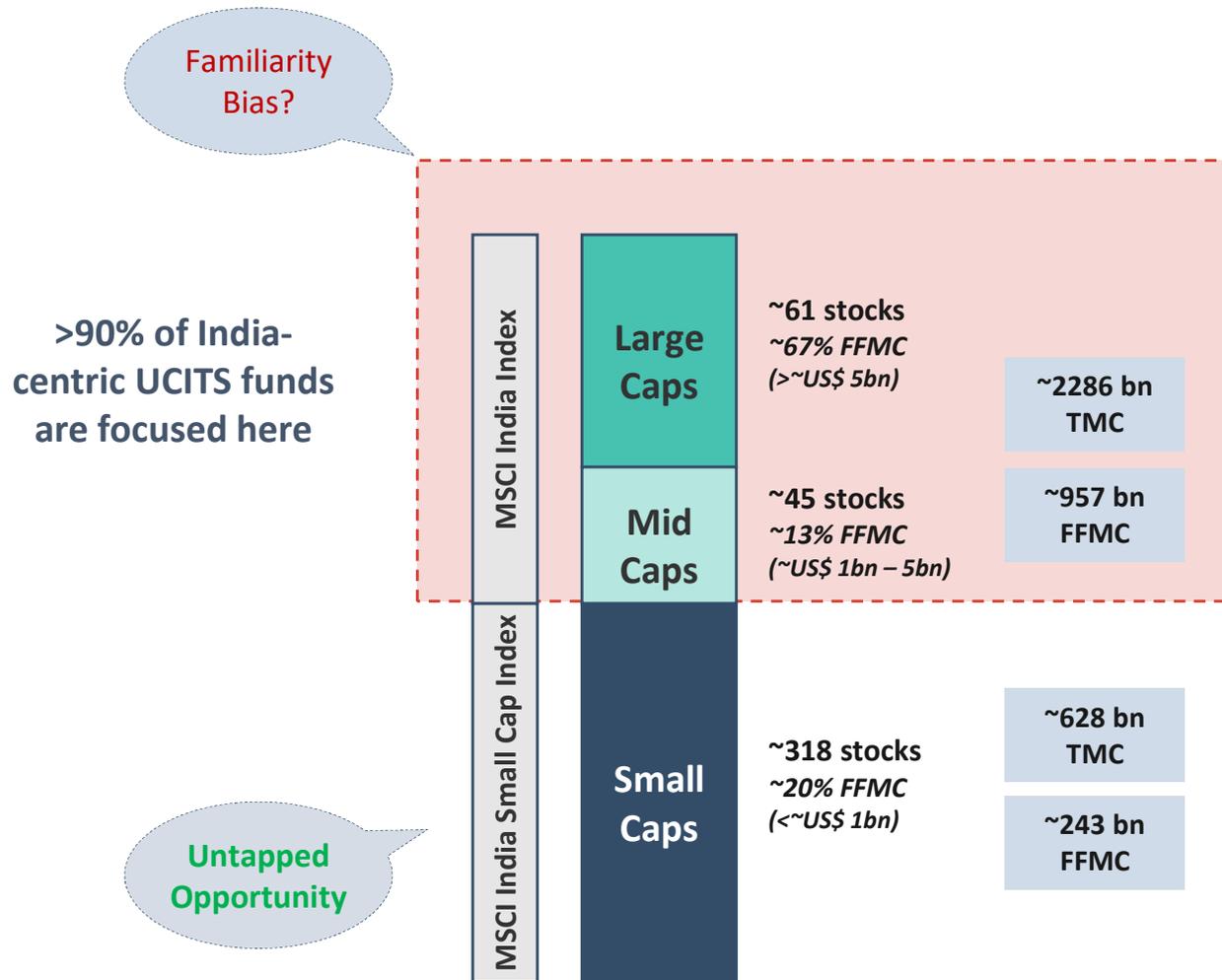
SVP – Senior Vice President | VP – Vice President | AVP – Assistant Vice President | AM – Assistant Manager

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# The Opportunity



# Where to invest in India? The Equity Investment Landscape

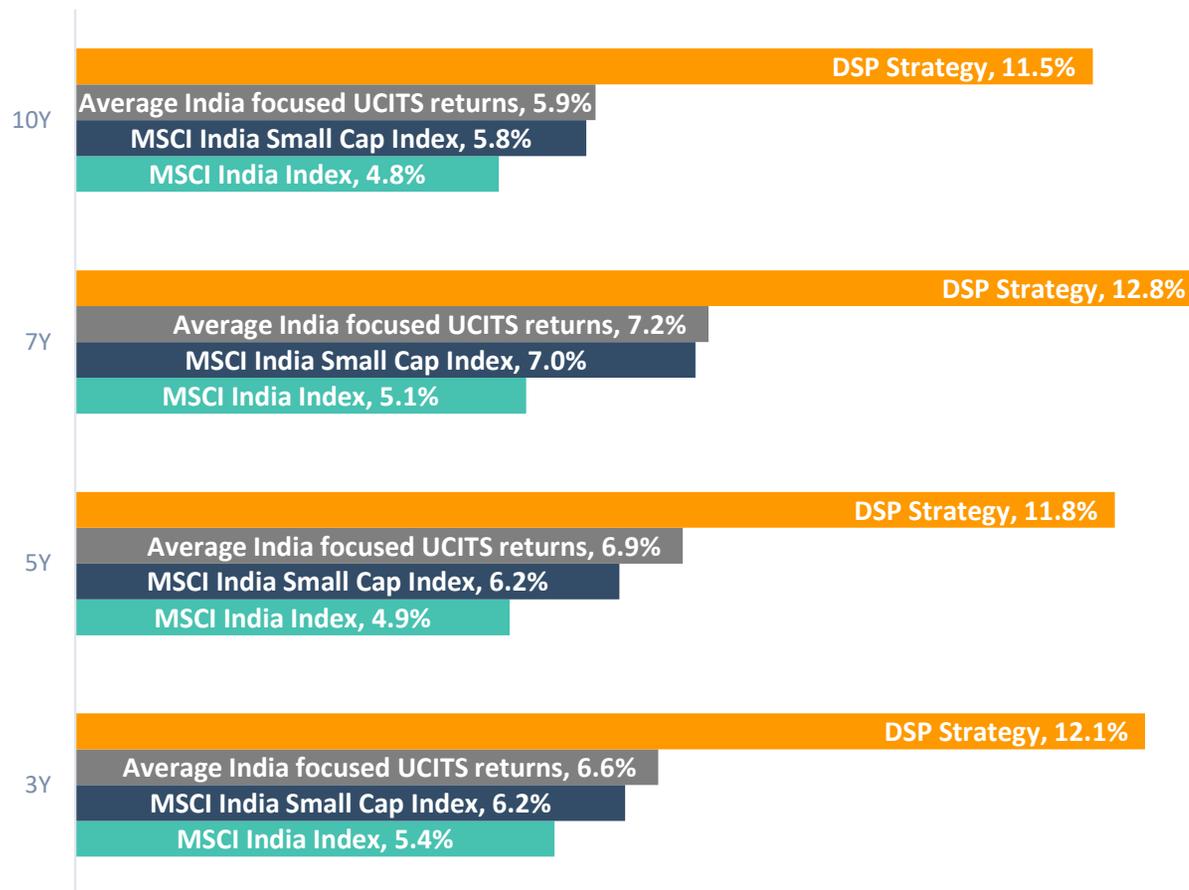


**There is a significant investable market beyond the large and mid caps**

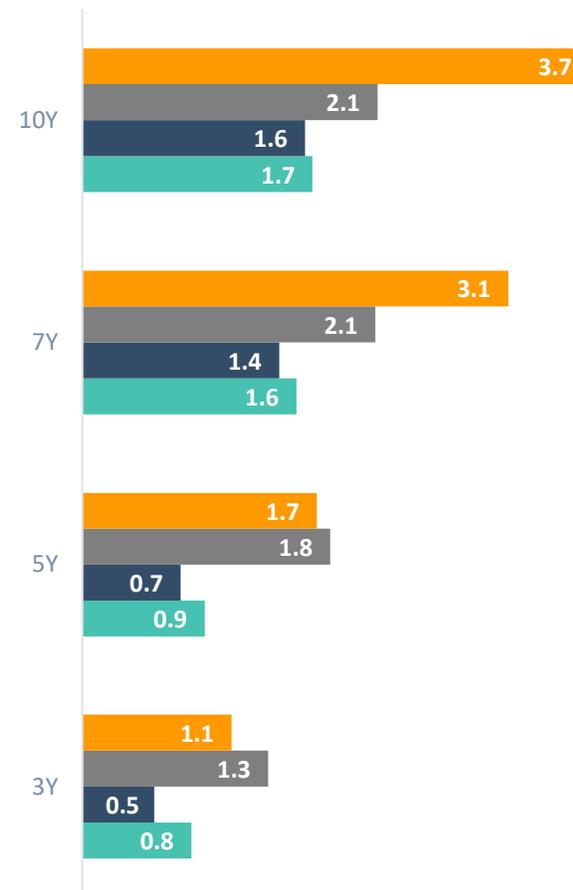
Source: MSCI. Market cap data as on 7 Feb 2022., Data as of 7 Feb 2022. Indices are unmanaged and used for illustrative purposes only and are not intended to be indicative of any fund's performance. It is not possible to invest directly in an index. Past performance is not a reliable indicator of future results. All figures are in USD. TMC: Total market cap - or market capitalization – refers to the total value of all a company's shares. FFMC: Free float market cap refers to the number of outstanding shares for trading by the general public. The free-float method of calculating market cap excludes locked-in shares, such as those held by company executives and governments.

# How Small caps performed? Active management generated superior return/risk

## Rolling Returns



## Return / Risk (rolling basis)



## Our actively managed small and midcap oriented strategy has generated superior return/risk

Source: Bloomberg, Ambit Capital Research, Returns data are net of fees, data from Nov 2006 to 31 Jan 2022. Indices are unmanaged and used for illustrative purposes only and are not intended to be indicative of any fund's performance. It is not possible to invest directly in an index. Past performance does not predict future returns All figures are in USD. The DSP Strategy has been implemented since 14 Nov 2006 through certain products managed by DSP Investment Managers Pvt. Ltd., which are not available for investment in any jurisdiction except for India. The 'average India focused UCITS returns' refers to the average returns of all India focused UCITS equity funds as listed on Bloomberg.

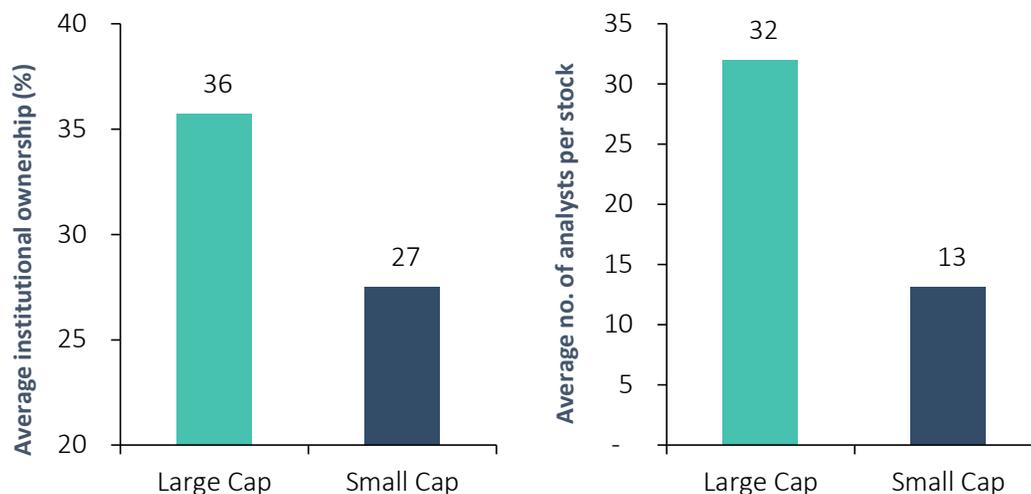
# Alpha elements? low ownership, sparse research and high diversification

1 Large & Mid Cap Alpha waning; Small Cap presents alpha opportunities

**3.8%**  
**alpha**  
**CAGR since inception**

of the DSP Strategy over the MSCI Small Cap Index

2 Small-Cap stocks tend to be under-owned and under-researched



3 MSCI India Small Cap is more diversified, offering variety in stock picks

Diversification	MSCI India Index	MSCI India Small Cap Index
GICS Industry	41	51
No. of stocks	101	260
Top 10 concentration	46.7%	13.2%

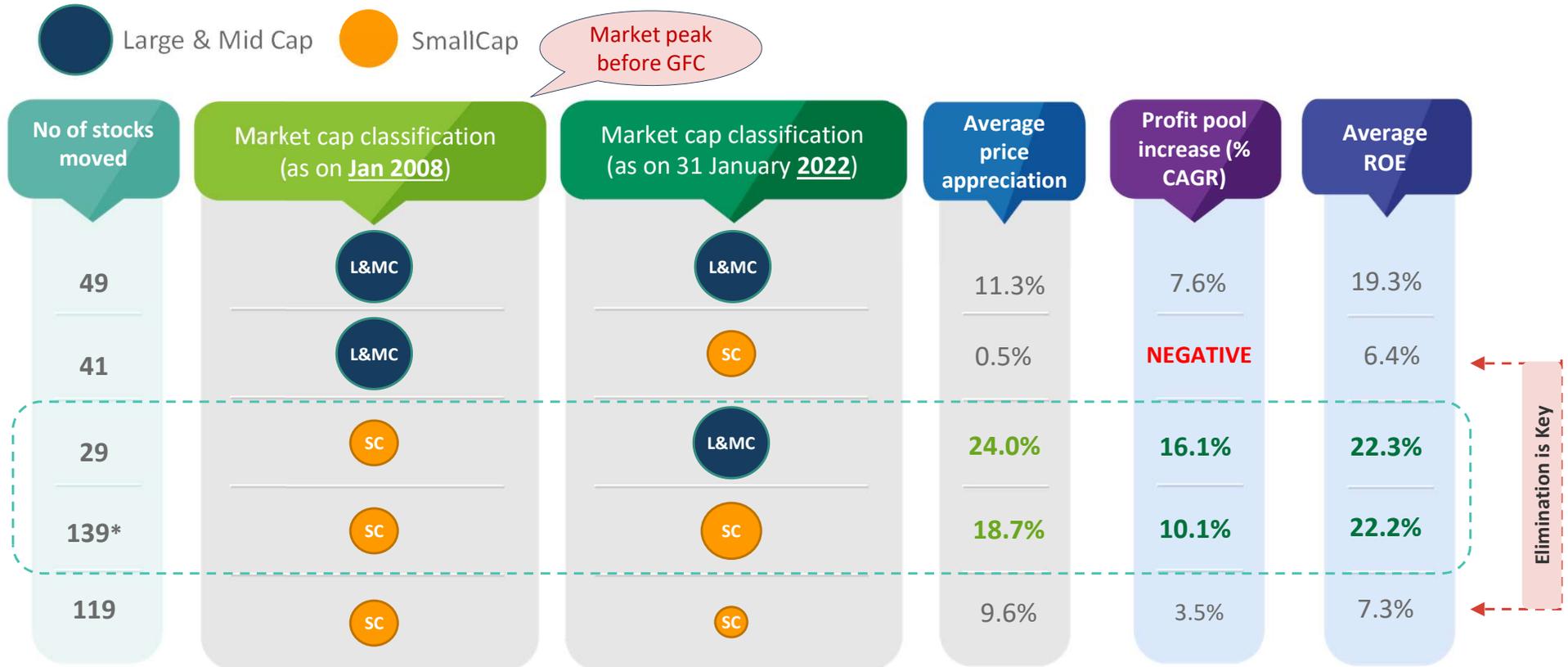
4 Lower correlation of MSCI India Small Cap vs MSCI India

Correlation Matrix	MSCI AC World Index	MSCI EM Index
MSCI India Index	50%	67%
MSCI India Small Cap Index	43%	59%
<b>DSP Strategy</b>	<b>34%</b>	<b>43%</b>

Source: Bloomberg, ACE Equity, Internal. Note: Large cap is represented by MSCI India Index and Small Cap is represented by MSCI Small Cap Index. Data as on 31 Jan 2022. For Panel 2 - Institutional holding is as per latest available qtlly data (Mar'21/Jun'21) and Analyst coverage is as of 11<sup>th</sup> July'21; For Panel 3 - holdings data is as of 11<sup>th</sup> July'21. Correlation data since inception of the fund. Indices are unmanaged and used for illustrative purposes only and are not intended to be indicative of any fund's performance. It is not possible to invest directly in an index. Past performance is not a reliable indicator of future results. The DSP Strategy has been implemented since 14 Nov 2006 through certain products managed by DSP Investment Managers Pvt. Ltd., which are not available for investment in any jurisdiction except for India. CAGR = Compounded annual growth rate. Alpha is defined as the excess return over benchmark.

# Which companies generate wealth? High ROE and Earnings growth companies

- We analysed data from Indian Large cap, Mid cap and Small cap companies over the past decade to understand their return potential
- Historically in the Indian markets, a combination of healthy ROE and high earnings growth has resulted in superior price performance



There is a sizable pool of high-quality companies that have the potential to provide superior returns

Source: Elara Capital, [MOSL Wealth Creation Studies in India]; \* companies with an average 10Y RoE > = 16%, used so as to categorize companies within Small Caps; Constituents of Nifty 500 Index as on 31 January 2022 are back tested from the peak of 2008. All returns in INR terms. To understand the table better, we take an example of the third row. We considered all the stocks in the Nifty 500 index, and classified them as Small Cap, Mid Cap and Large Cap based on MSCI definition – please see Appendix. Over the period Jan 2008 market peak to November 2021, we found that 30 companies grew from being Small Caps to Large & Mid Caps, with an average price appreciation of 24.0%, Profit pool increase of 16.1% and an average RoE of 22.3%.

# Investment Philosophy



# Portfolio Manager: Vinit Sambre

Vinit Sambre heads the equity team at DSP and has been with the firm since 2005.



“Patience, embracing volatility and owning capital efficient businesses run by capable managers for long periods of time is my source of wealth creation”

## Experience

- 24 years of investment experience across 4 major market cycles
- In-depth knowledge of Indian equities, specifically in the small and mid-cap space
- Successfully delivered on a variety of mandates including concentrated thematic portfolios

## Style

- Buy & Hold
- Low Turnover
- Demonstrated capability to identify and back high quality managements / promoters through cycles

## Recognition

- Recipient of several awards during his tenure

Source: Internal, as of Feb 2022

# Investment Idea Generation



Sources of ideas are many:

- Interactions with 550+ companies a year (including companies outside our coverage)
- 15+ conferences a year
- Industry experts, supply chain checks
- Sell-side interactions
- Any other source (journals, magazines etc.)
- Daily morning calls
- Weekly all-day team meeting every Wednesday
- Internal screens

Source: Internal, as of Jan 2022

# Investment Philosophy – Focus is sustainable long term wealth creation

- Fundamental bottom-up analysis, preferring companies exhibiting:
  - a) Scalability of their businesses
  - b) Sustainable high Return on Equity and earnings growth over time
  - c) Incremental capital allocation in equivalent or better ROE businesses
  - d) Stakeholder awareness and responsible governance
- Long-term investment horizon, turnover ratio ~25% (weight management through cycles).
- Sell Discipline - Profitable positions where valuations rise to unsupportable levels, or Loss-making positions where investment thesis not unfolding as envisioned



## What we are wary of

- Capital misallocation
- Disruptive competition
- High sensitivity to changing regulations

## Our edge: Temperament, Research capability and eliminating behavioral biases

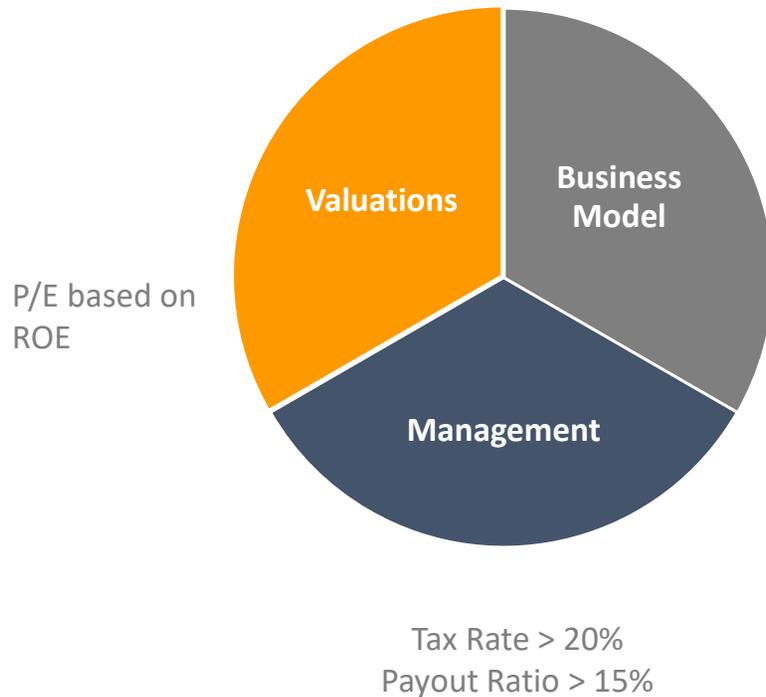
Source: Internal, as of 11 Feb 2022

# Pillars of stock selection

Business	Management	Valuation
<p><b><i>Simple &amp; predictable</i></b> <b>Jubilant Foods</b> – Leading QSR player <b>Ramco Cement</b> – Most profitable south based cement player. <b>Supreme Industries</b> – Largest polymer processor</p> <p><b><i>Large &amp; high growth potential sectors</i></b> Financials, Consumer, Agriculture</p> <p><b><i>Competitive advantage</i></b> <b>Supreme Industries</b> – Diversified plastic manufacturer, scale advantage, large geographical distribution and higher value added products. <b>IPCA</b> - Lowest cost manufacturing <b>Ramco Cement</b> – Lowest cost and most efficient cement producer <b>Voltas</b> – Brand &amp; Distribution</p> <p><b><i>Positive Cash Flows &amp; High ROE</i></b> 5 Year avg ROE of some of our investee companies <b>Supreme Industries</b> (~24%, till FY21) <b>Jubilant Foods</b>(~20%, till FY21)</p> <p><b><i>Businesses at the cusp of a turnaround</i></b> Identified companies like Atul Ltd and SRF Ltd early in their cycle which showed: <b>Consistent profit growth</b> <b>Massive turnaround in ROE</b> <b>P/E re rating</b></p>	<p><b><i>Credible &amp; Capable managements</i></b> SRF which moved from being a small cap to a mega cap in the last 7 years. <b>Profit Growth – 33%</b> <b>Price Appreciation – 46%</b> <b>Average ROE – 16%</b></p> <p><b><i>Passion &amp; Ownership of promoters</i></b> Basic check for all portfolio companies</p> <p><b><i>Past track record</i></b> Basic check for all portfolio companies</p> <p><b><i>Prudent capital allocation</i></b> <b>Coromandel International</b> - Superior capital allocation strategy, enabling the company to diversify from technical textiles (commoditized) to high entry barrier businesses such specialty chemicals and refrigerant gases</p>	<p><b><i>Valuation to be looked at in conjunction with strength of business and quality of management</i></b></p> <ul style="list-style-type: none"><li>• Bought Symphony at 14 P/E in Dec 2012.</li><li>• Company showed earnings growth of over 35% from Q1 FY 14 to Q3 FY 15</li><li>• Held the stock as valuations rose from 14x to 90x</li><li>• Trimmed position in 2015 as valuations and growth were not in conjunction and fundamentals were marginally declining</li></ul>

Source: Internal, Jarvis, Feb 2022; The sector(s)/stock(s)/issuer(s) mentioned herein does not constitute any research report/recommendation and our strategy may or may not have any future position in these sector(s)/stock(s)/issuer(s).

# Investment Framework



3 Yr. Avg. ROE >16%

5 Yr. Avg. EBITDA Growth > 13%

5 Yr. Avg. PAT Growth >13%

Margin Increase: EBITDA Growth > Sales Growth

Earnings per share (EPS) Growth variation <100%

Net Debt/EBITDA < 3x

Positive free cash flow yield

Receivables, Inventory & Payable days variation < 30 days

**~75% of our portfolio meets these criteria.**

The balance ~25% includes companies that we believe are on the cusp of turnarounds and may not satisfy one or more of these criteria today

## Quantifying metrics to evaluate the 3 pillars

Source: Internal. The DSP Strategy has been implemented since 14 Nov 2006 through certain products managed by DSP Investment Managers Pvt. Ltd., which are not available for investment in any jurisdiction except for India. The data mentioned in this presentation do not constitute any research report/recommendation of the same and the metrics being followed by the DSP Strategy may change in future, Internal, Nov 2021. EBITDA = Earnings before interest ,taxes, depreciation. ROE = Return on Equity

# Learnings through time

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1. Deep analysis of historical business cycles (over 10-15 years), not merely management's future guidance. *Sterlite Tech*
2. Bottom up company research is more useful than predicting macro. *Divis / IPCA / Dr Reddy's*
3. Temperament – Ignoring noise and not reacting to every news
4. Contra-cyclical plays – use temporary disruption / downcycles to buy good companies. *Infosys / Eicher / Ashok Leyland*
5. Significant dispersion within each sectors, active stock picking is important. Eliminating losers is the key. *Bajaj Finance / IB*
6. Don't forget learnings from past mistakes, general tendency is to forget them in a bull market. *Stopped fresh inflows into flagship small cap fund in the interest of investors*
7. We are working with long term mindset and seek investor with long term capital of over 5 yrs. *Buy & Hold philosophy*

Source: Internal, as of Feb 2022. The sector(s)/stock(s)/issuer(s) mentioned herein does not constitute any research report/recommendation and our strategy may or may not have any future position in these sector(s)/stock(s)/issuer(s).

# Buy & Hold philosophy

- Align holding periods of investee companies with their entire business cycles
- Portfolio sizing depends upon our assessment of how the company ranks on our philosophy.

TOP 5 GAINERS- LAST 5 YEARS *	RETURN MULTIPLIER	TOP 5 GAINERS*	RETURN MULTIPLIER	HOLDING PERIOD (YEARS)	PERIOD HELD
SRF Limited	7.21x	SRF Limited	117.64x	14.91 Years	Mar'07 to Jan'22
Atul Limited	4.30x	Eicher Motors Limited	41.58x	5.1 Years	Mar'09 to Mar'14
IPCA Laboratories Limited	3.94x	Bajaj Finance Limited	16.89x	5.6 Years	Sep'08 to Mar'14
Coromandel International	2.71x	Bayer Cropscience	10.68x	11.5 Years	Sep'08 to Feb'20
Supreme Industries	2.37x	GRUH Finance Limited	8.40x	4.8 Years	Mar'08 to Dec'12

Representative Indian mid cap equities portfolio data. Source: FactSet. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any recommendation of the same. The representative portfolio may or may not have any future position in these sector(s)/stock(s)/issuer(s).



**Strong business + quality management = ignore noise, hold, add opportunistically**

Source: Internal, as of 31 Jan 2022. The sector(s)/stock(s)/issuer(s) mentioned herein does not constitute any research report/recommendation and our strategy may or may not have any future position in these sector(s)/stock(s)/issuer(s).

# Sell Discipline

Profitable positions where valuations rise to unsupportable levels

Trim / book profits

**Symphony** – In 2015, when the valuation scaled to unprecedented levels and concerns around growth arose due to early monsoons, we trimmed our position marginally to reflect the growth concerns

Loss-making positions where investment thesis not unfolding as envisioned

Cut losses / Sell

Significant deterioration in fundamentals  
Corporate governance issues  
Fraud or misrepresentation of facts

**Ashapura Intimates** – Investment thesis based on management’s passion and business potential. Unable to judge financial dressing. Exited position

TOP 5 LOSERS *	PRICE DECLINE	HOLDING PERIOD (YEARS)	PERIOD HELD	AVG WGT DURING HOLDING PERIOD	Learnings
Pennar Engineered Building Systems	-79%	3.2	Sep’15 to Dec’18	0.7%	Capex heavy businesses require clear visibility of growth
Titagarh Wagons Ltd	-77%	2.3	Mar’11 to Jul’13	1.2%	Capex heavy businesses require clear visibility of growth
Ashapura Intimates Fashion Ltd	-95%	1.3	Jul’17 to Dec’18	0.9%	Fortified our core beliefs of not purely relying on management guidance, which we did due to lack of historical cycle data
Navkar Corp Ltd	-72%	2.6	Mar’16 to Dec’18	0.7%	Be watchful about adverse regulatory changes and capital misallocation
Indo Count Industries	-66%	2.2	Oct’16 to Dec’18	0.8%	Fortified our core beliefs of not purely relying on management guidance

\* Representative Indian mid cap equities portfolio data

Source: FactSet. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any recommendation of the same. The representative portfolio may or may not have any future position in these sector(s)/stock(s)/issuer(s).

## Mistakes - a source of learning.



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# Strategy Characteristics, Performance and Risks



# Differentiated from the typical Indian benchmark (MSCI India)

**Not our portfolio!**



Stocks	Total Market Cap in USD bn	Weight in MSCI India Index
Reliance Industries	215.1	9.29%
Infosys	106.6	8.85%
HDFC	62.9	6.11%
ICICI Bank	69.0	5.22%
TCS	185.6	4.75%
HUL	74.4	2.67%
Bajaj Finance	56.5	2.61%
Bharti Airtel	52.3	2.32%
Axis Bank	27.9	2.12%
HCL Tech	48.1	1.97%
<b>MSCI India Index (top 10)</b>	<b>10Y Avg ROE</b> 17.3%	<b>10Y PAT CAGR</b> 24.7%

**This is our portfolio!**



Stocks	Total Market Cap in USD bn	Weight in DSP Strategy Portfolio
Supreme Industries	3.6	4.44%
IPCA Laboratories	3.5	3.99%
Atul Ltd.	3.8	3.65%
Cholamandalam Investment	6.9	3.36%
Bata India	3.6	3.34%
Coromandel International	3.1	3.30%
Manappuram Finance	1.8	3.29%
ICICI Bank	73.4	2.97%
Federal Bank	2.8	2.91%
Bharat Forge	4.6	2.77%
<b>DSP Strategy (top 10)</b>	<b>10Y Avg ROE</b> 17.5%	<b>10Y PAT CAGR</b> 28.4%

Source: MSCI, Elara Research. Total Market-Cap, data as of 31 January 2022. Indices are unmanaged and used for illustrative purposes only and are not intended to be indicative of any fund's performance. It is not possible to invest directly in an index. Past performance is not a reliable indicator of future results. The DSP Strategy has been implemented since 14 Nov 2006 through certain products managed by DSP Investment Managers Pvt. Ltd., which are not available for investment in any jurisdiction except for India. \* Trailing ROE have been provided. For MSCI India Index, Return on Equity (ROE) and PAT for Hindustan Unilever excluded because it is an outlier value. Also, top 10 weights have been rebalanced to 100 for the purposes of the portfolio ROE and PAT calculations.

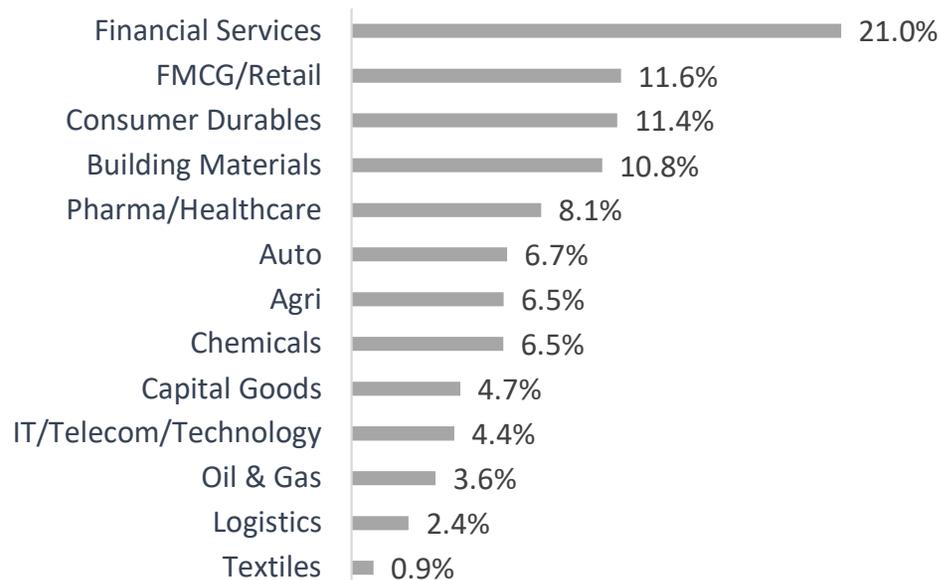
# DSP Strategy Characteristics

<b>Number of Stocks</b>	53
<b>Cap-wise split</b> (DSP Strategy)	Small Cap – 72.7%, Mid Cap – 18.9%, Large Cap – 6.7%, Cash – 1.7%
<b>Portfolio Turnover</b> (last 12m) (DSP Strategy)	24%
<b>Strategy AUM</b>	~US\$ 1,906 mn

Metrics (US\$)	5 Years	Since Inception
<b>Return(CAGR)</b>		
Fund	12.82%	11.61%
Benchmark (MSCI India SmallCap)	14.55%	7.84%
<b>Volatility %</b>		
Fund	22.20%	29.99%
Benchmark (MSCI India SmallCap)	27.13%	35.02%
<b>Risk Free Rate</b> (3m US Libor)	1.33%	1.25%
<b>Sharpe Ratio</b>		
Fund	0.52	0.35
Benchmark (MSCI India SmallCap)	0.49	0.19
<b>Beta</b>	0.77	0.83
<b>Tracking Error</b>	8.52%	8.79%

Portfolio Metrics*	FY21	FY22E	FY23E
<b>EPS Growth (%)</b>	15.4%	21.9%	21.2%
<b>P/BV</b>	8.4x	7.1x	6.1x
<b>ROE</b>	18%	18%	19%

## Sector Exposures



Source: Internal, all returns are net of fees, as of 31 Dec 2021; Indices are unmanaged and used for illustrative purposes only and are not intended to be indicative of any fund's performance. It is not possible to invest directly in an index. Past performance does not predict future returns The DSP Strategy has been implemented since 14 Nov 2006 through certain products managed by DSP Investment Managers Pvt. Ltd., which are not available for investment in any jurisdiction except for India. Market-cap split based on MSCI classifications. \*The portfolio metrics displayed are estimates of the anticipated development of the portfolio holdings when measured against certain metrics. Some computations may also have extreme values removed from the calculations. These estimates are not intended to be an estimate or representation of future performance of the fund. AUM = Asset Under Management

# Possible risks of investing in small cap companies

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Investing into small cap and mid cap companies could come with a variety of risks such as, but not limited to

Business model might not scale

Corporate governance concerns

Volatility in returns

Insufficient data on businesses

Liquidity risk

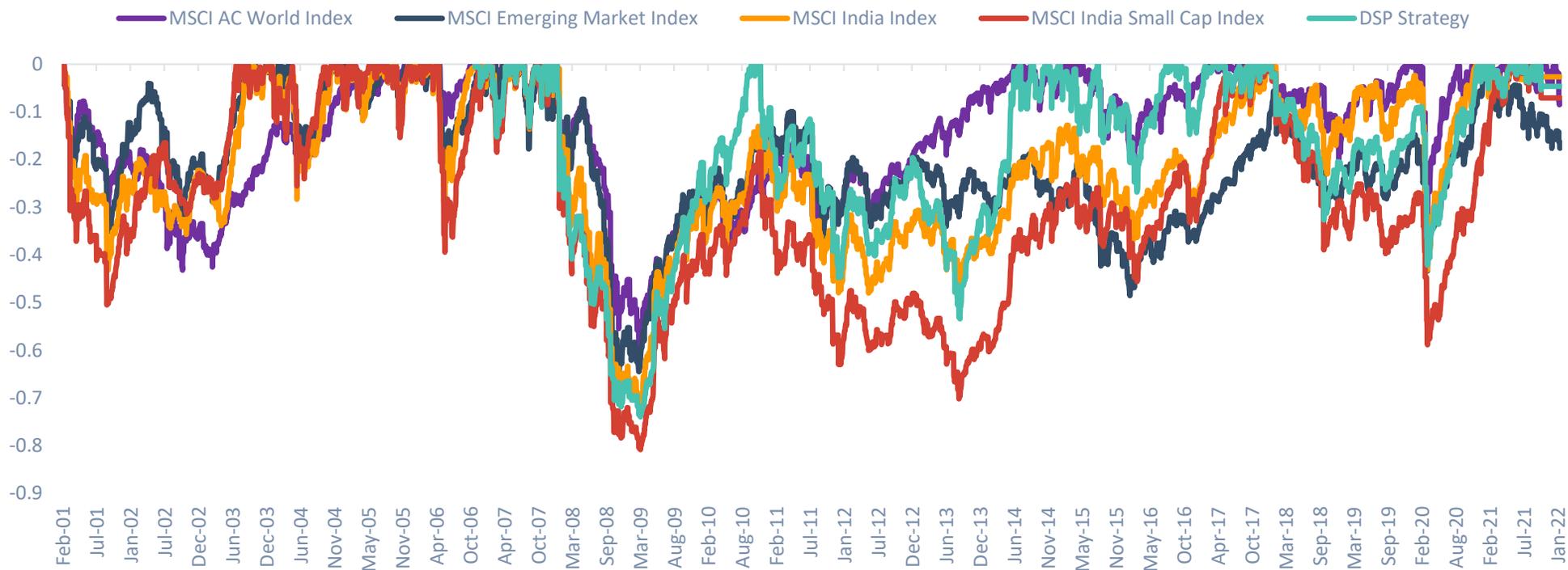
Key-man (promoter) risk

Unproven business models

Additional country risks for international investors may also apply such as political risk, currency risk, macro risk, regulatory risk, sovereign risk, economic risk to name a few.

# Maximum drawdowns

A **drawdowns analysis** suggests that an actively managed India small cap funds is not different from the large & mid cap index...



Maximum Drawdown	MSCI AC World Index	MSCI Emerging Market Index	MSCI India	MSCI India Small Cap	DSP Strategy*
Since 2000	60%	66%	73%	81%	74%

Source: Bloomberg, Data from Dec 2000 to January 2022. \*Data from DSP Strategy from Nov 2006. All figures in USD

# Performance track record

USD CAGR Performance as on 31 January 2022. Compared with all UCITS funds focused on India.	1-Year	3-Year	5-Year	8-Year	10-Year	Since Inception
	29-Jan-21	31-Jan-19	31-Jan-17	31-Jan-14	31-Jan-12	14-Nov-06
DSP Strategy	25.61%	19.70%	12.82%	18.73%	14.35%	11.61%
<b>Ranking</b>	<b>15</b>	<b>6</b>	<b>11</b>	<b>1</b>	<b>1</b>	<b>2</b>
No of funds	42	42	39	36	33	22
Quartile Position	2	1	2	1	1	1
Average India focused UCITS returns	22.86%	15.35%	11.29%	12.20%	9.42%	7.22%
MSCI India USD	27.48%	16.41%	13.78%	11.39%	8.61%	6.85%
MSCI India Small Cap USD	46.71%	22.11%	14.55%	17.54%	12.22%	7.84%
Custom 20:80 Composite Index	42.86%	20.97%	14.40%	16.31%	11.50%	7.64%

*The DSP Strategy has generated alpha over the custom composite benchmark in 11 out of 15 years*

CY Performance	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006 (from 14th Nov)
DSP Strategy	25.84%	20.54%	6.9%	-17.7%	48.8%	8.6%	2.4%	66.8%	-10.0%	40.5%	-38.7%	34.9%	129.2%	-66.4%	73.5%	3.7%
<b>Ranking</b>	<b>16</b>	<b>8</b>	<b>19</b>	<b>54</b>	<b>12</b>	<b>2</b>	<b>10</b>	<b>2</b>	<b>41</b>	<b>2</b>	<b>35</b>	<b>2</b>	<b>2</b>	<b>30</b>	<b>10</b>	<b>28</b>
No of funds	42	43	44	63	60	56	55	54	51	49	46	41	39	38	34	32
Quartile Position	2	1	2	4	1	1	1	1	4	1	4	1	1	4	2	4
Avg India focused UCITS	24.14%	14.9%	6.1%	-13.3%	41.8%	0.8%	-2.3%	40.1%	-5.9%	29.3%	-35.3%	20.9%	91.7%	-62.7%	68.3%	4.9%
MSCI India USD	26.23%	15.6%	7.6%	-7.3%	38.8%	-1.4%	-6.1%	23.9%	-3.8%	26.0%	-37.2%	21.0%	102.8%	-64.6%	73.1%	5.1%
MSCI India Small Cap USD	51.13%	20.9%	-4.7%	-26.0%	67.0%	0.3%	2.4%	56.9%	-14.2%	36.3%	-48.2%	20.2%	126.0%	-72.5%	95.9%	4.6%
Custom 20:80 Composite Index	46.15%	19.9%	-2.2%	-22.2%	61.3%	0.0%	0.7%	50.3%	-12.1%	34.2%	-46.0%	20.3%	121.3%	-70.9%	91.3%	4.7%

Source: MSCI, Internal, Bloomberg, data as of 31 Jan 2022. DSP Strategy returns are net of fees. Indices are unmanaged and used for illustrative purposes only and are not intended to be indicative of any fund's performance. It is not possible to invest directly in an index. Past performance is not a reliable indicator of future results. The DSP Strategy has been implemented since 14 Nov 2006 through certain products managed by DSP Investment Managers Pvt. Ltd., which are not available for investment in any jurisdiction except for India. Alpha is defined as the excess return over benchmark.

# ESG / RISK Framework



# Indicative Forensic Analysis Framework

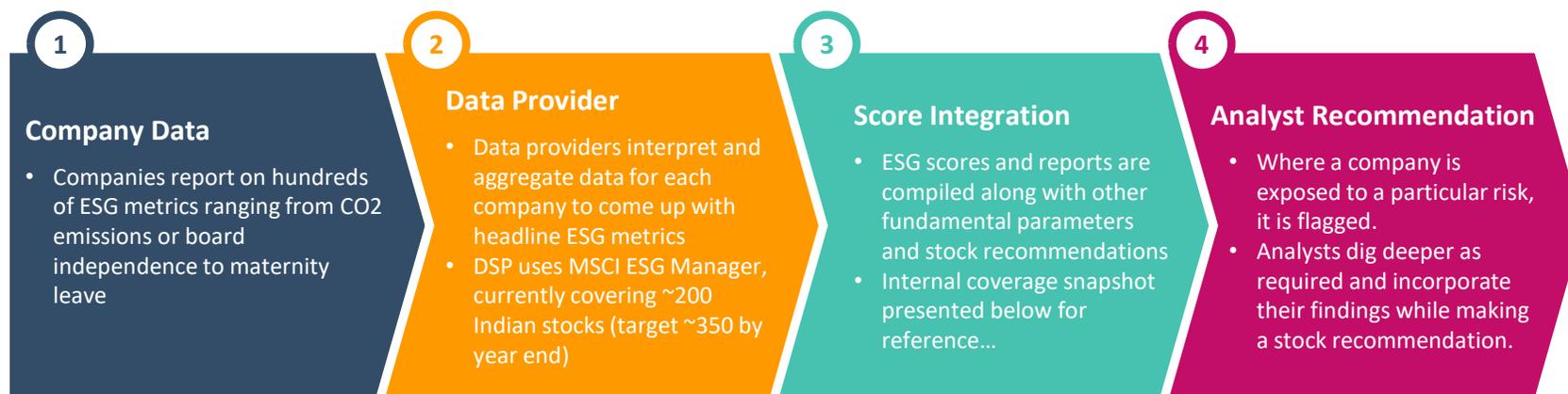
The Fund will follow a focused, disciplined, and multi-staged investment diligence and decision-making process which takes into account a consideration of some or all of the following factors, such as the indicative forensic analysis framework below, conducted by the Skeptical Analyst.

	Area	Checks
Financials/ accounting quality	Earnings quality	Aggressive accounting policies/ structuring
		Cost capitalisation/ deferral
		Tax structuring
		Non - core / other income dependency
		Varying costs movements, frequent one-offs
		Employee cost, provident fund, Employee Stock Options (ESOPs), depreciation checks
	Cash flows & working capital quality	Intersegment accounting/ unallocables
		Earning to cash conversion
		Disguised debt (acceptances) & Vendor financing
		Working capital days trend (Payable days high)
		Operating expenditure ("Opex") v capital expenditure (Capex) payables
		Receivable factoring / Off Balance Sheet structuring
		Cash flow source and utilisation
	Balance sheet risk, Capital allocation	Capex to Gross/ Net block
		Dividend without cash flows
		Profit to networth accretion
		M&A, Intangibles, accounting tricks
		Inter corporate deposits/ loans/ advances
Unhedged currency risk		
Leverage - actual vs reported		
Unexplained high cash levels/ current account balances		
Management quality	Board, Governance and promoter quality	Contingencies/ commitments/ liabilities
		Investments in Subsidiaries, Joint Ventures/ impairments/ Capital allocation
		Revaluations/ write offs and RoE/RoCE impact
		Related party transactions (reported, unreported), Brand ownership, etc
		Key Management Personnel remuneration vs Profits, Conflict of interests
		Pledging, group leverage, shareholding structure
		Auditors quality, fees and internal auditors
	Forensic/AML/Offshore links and other checks	Independent directors strength and skill set
		Frequent Board/ management changes
		Credit rating trends
		Non-financial source, media articles/ red flags
		PEPs (political links), AML/ FATF sanctions
		Offshore links
		Goods & Services Tax / tax / provident fund non compliance, penalties
		Criminal/ civil litigation history

# ESG integration

## Two pronged approach

### 1. **INVESTMENT**: Integration of ESG factors into investment analysis



A sample snapshot from our Internal tracking sheet with MSCI ESG scores (purely representative)...

Mcap Rank	NAME	GICS Sector	Analyst	ESG Rating	Ind adjusted number	E	E wt	S	S wt	G	G Wt
1	RELIANCE INDUSTRIES LTD	Energy	RS	BB	3.8	4.7	56	4.1	19	3.4	25
2	TATA CONSULTANCY SVCS LTD	Information Technology	MS	AA	8.4	6	24	6	50	4.2	26
3	HDFC BANK LIMITED	Financials	DG	A	7.1	2.4	9	5.1	60	6.6	31
4	HINDUSTAN UNILEVER LTD	Consumer Staples	MS	A	6.7	7.8	32	4.4	52	4.8	16
5	ITC LTD	Consumer Staples	MS	AA	8.1	3.7	33	3.9	51	6.6	16
6	HOUSING DEVELOPMENT FINANCE	Financials	DG	A	5.9	6.8	5	4.7	67	5.1	28
7	INFOSYS LTD	Information Technology	MS	AA	7.6	4.7	24	5.4	50	6.9	26
8	STATE BANK OF INDIA	Financials	DG	B	1.5	0.9	8	3.9	58	4.2	34
9	KOTAK MAHINDRA BANK LTD	Financials	DG	A	6.3	1.3	8	5.1	58	6.2	34
10	ICICI BANK LTD	Financials	DG	BB	3	3	8	4.5	58	4.1	34

### 2. **STEWARDSHIP**: Engagement with companies - CXOs, board members and investors relations teams, including proxy voting

Source: Internal, as of Jul 2021. | The above information is only for illustration purpose and should not be construed as recommendation of the stocks. Further information about the sustainability-related aspects of the Fund is available at the following website \_\_\_\_” The decisions to invest in the Fund should take into account all the characteristics or objectives of the Fund described in the prospectus.

# Investment Risk Management at DSP

## Portfolio Risk Monitoring

- Independent Risk & Quantitative Analysis team (RQA)
- Regular Risk meetings to “Hold a Mirror” to portfolio risk
  - Macro stress testing
  - Sector & style exposure & returns monitoring, market trends
  - Tolerance limits for stop losses and drawdown

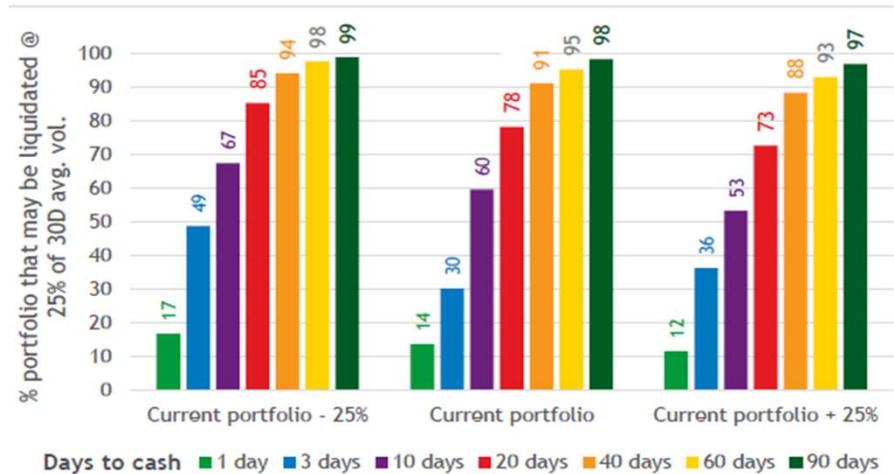
## Key Inputs

- Stock level contribution to risk
- Predicted vs delivered volatility & beta
- Factor risk breakdown of portfolio, including NAV at risk analytics
- Tactical indicators for monitoring reversal risks

## Position Level Monitoring

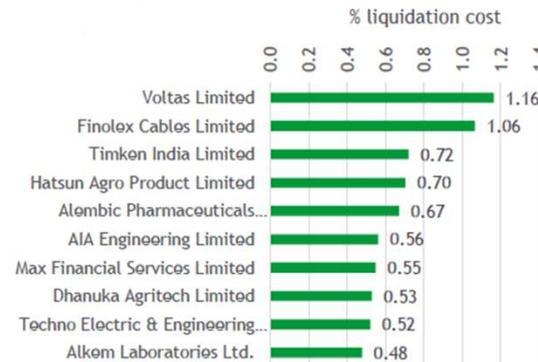
- Constant review of performance: large winners / losers
- Constant monitoring of investment thesis with research team

Indicative: It takes ~10 days to liquidate 60% of the DSP Strategy portfolio



Current portfolio +/-25% refers to the assets (AUM) in the strategy increased or decreased by 25%, as two alternative scenarios, to depict how liquidity of the portfolio could change under these new AUMs

## Top 10 scrips by liquidation cost



## Worst 3-day drawdowns

n-th worse redemption	3-day redemption	Date	AUM (INR cr)
1	-4.16%	07-Jan-13	1,316.09
2	-3.95%	08-Jan-13	1,320.58
3	-3.89%	04-Jan-13	1,317.74
4	-2.78%	20-Jan-09	434.49
5	-2.68%	16-Jan-09	433.27

Since 01st Jan 2008

Source: Internal; Note: Investment process is subject to change. Charts / Tables depicted are purely illustrative in nature. The above information is only for illustration purpose and should not be construed as recommendation of the stocks. To explain the worst-3-day-drawdown table, the first row represents the biggest redemption ever seen by the fund, in a consecutive-3-day period, which in this case was about 4.16% of AUM and occurred on 7th Jan 2013. AUM = Asset Under Management

# Fund Terms and Structure



# Fund Terms

**Objective\*:** The DSP India Equity Fund (the “Fund”) aims to achieve long term capital appreciation from a portfolio that is substantially constituted of equity and equity related securities of mid cap and small cap companies.

**Investment philosophy :** Bottom-up approach to stock picking.

**Universe:** It is anticipated that the Fund will invest across the entire range of capitalizations (across large cap, mid cap and small cap), however there will be a focus on mid cap and small cap companies. The Fund is actively managed in reference to a composite index consisting of MSCI INDIA INDEX (20% proportion) and MSCI INDIA SMALL CAP INDEX (80% proportion) (the “Index”), by virtue of the fact that it uses the Index for performance comparison purposes. However, the Index is not used to define the portfolio composition of the Fund and the Fund may be wholly invested in securities which are not constituents of the Index.”

**Diversified:** Typically portfolio of ~50 stocks across market capitalization

**Risk management:** Governed by a robust risk framework; No leverage;

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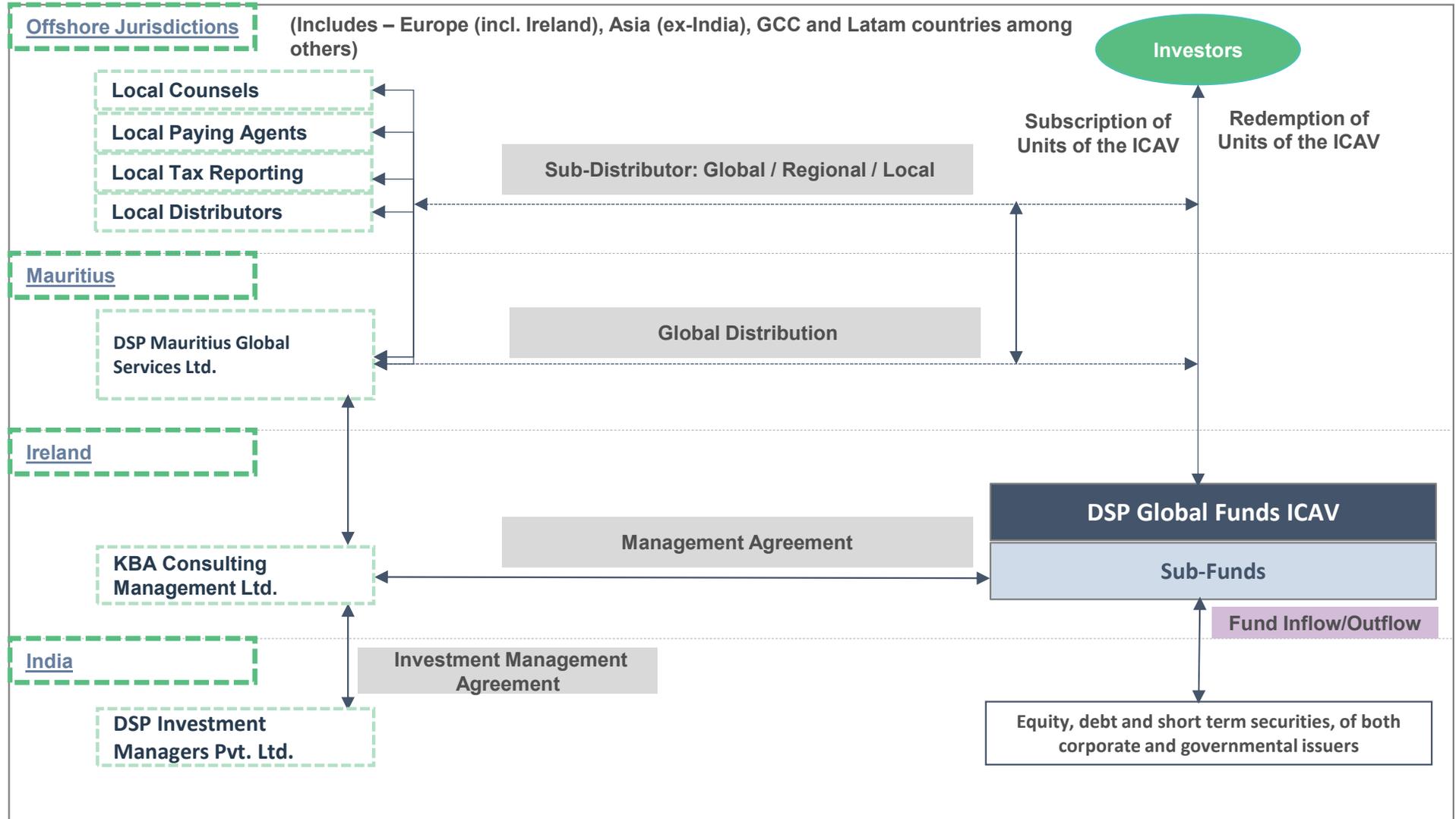
<b>Fund Structure</b>	DSP India Equity Fund is a compartment of DSP Global Funds ICAV, an umbrella UCITS V compliant ICAV
<b>Share class</b>	Seed Class
<b>ISIN code</b>	IE00BK0WZ337
<b>Investment manager</b>	DSP Investment Managers India Pvt. Ltd.
<b>Domicile</b>	Ireland
<b>Inception Date</b>	15 March 2021
<b>Reference Currency</b>	USD
<b>Dealing and Valuation</b>	Daily
<b>Administrator</b>	HSBC Securities Services (Ireland) DAC
<b>Depository Services</b>	Depository – HSBC France, Dublin Branch
<b>Management Company</b>	KBA Consulting Management Limited
<b>Seed Share Class – Total Fee and Operating Expenses</b>	(i) 0.70% of the Net Asset Value of the Seed Class when the Net Asset Value of the Fund is up to \$150 million; or (ii) 0.60% of the Net Asset Value of the Seed Class when the Net Asset Value of the Fund is greater than \$150 million and up to \$300 million; or (iii) 0.40% of the Net Asset Value of the Seed Class when the Net Asset Value of the Fund is greater than \$300 million
<b>Other fees</b>	As set out in the Prospectus

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Note: The Fund’s Net Asset Value may have an elevated volatility due to its investment policy. The fees and charges paid by the Fund will reduce the return on your investment. Certain costs paid by the Fund will be charged in specific currency and exchange rate fluctuations may cause these costs to increase or decrease when converted into local currency of the investor. Source: Internal; \*There is no guarantee that the fund will achieve its objective.

# DSP Global Funds ICAV: Structure

- ▶ DSP GLOBAL FUNDS ICAV - An umbrella type Irish collective asset-management vehicle with segregated liability between Funds



Note: The Fund's Net Asset Value may have an elevated volatility due to its investment policy.

Source: Internal; \*There is no guarantee that the fund will achieve its objective.

# Seed share class - Pricing



FUND AUM THRESHOLD	Management Fee	Operating expenses*	Total Expense Ratio
US\$ 0 to US\$ 150 mn	45 bps	+ 25 bps	= 70 bps
US\$ 150 to US\$ 300 mn	35 bps	+ 25 bps	= 60 bps
> US\$ 300 mn	15 bps	+ 25 <sup>#</sup> bps	= 40 bps

Step down

Step down

\* Operating expenses are capped at 25 bps, irrespective of AUM.  
 # Operating expenses can reduce over time with economies of scale.  
 Bps = Basis points. AUM = Asset Under Management  
 Other fees: As set out in the Prospectus, if any

# Appendix



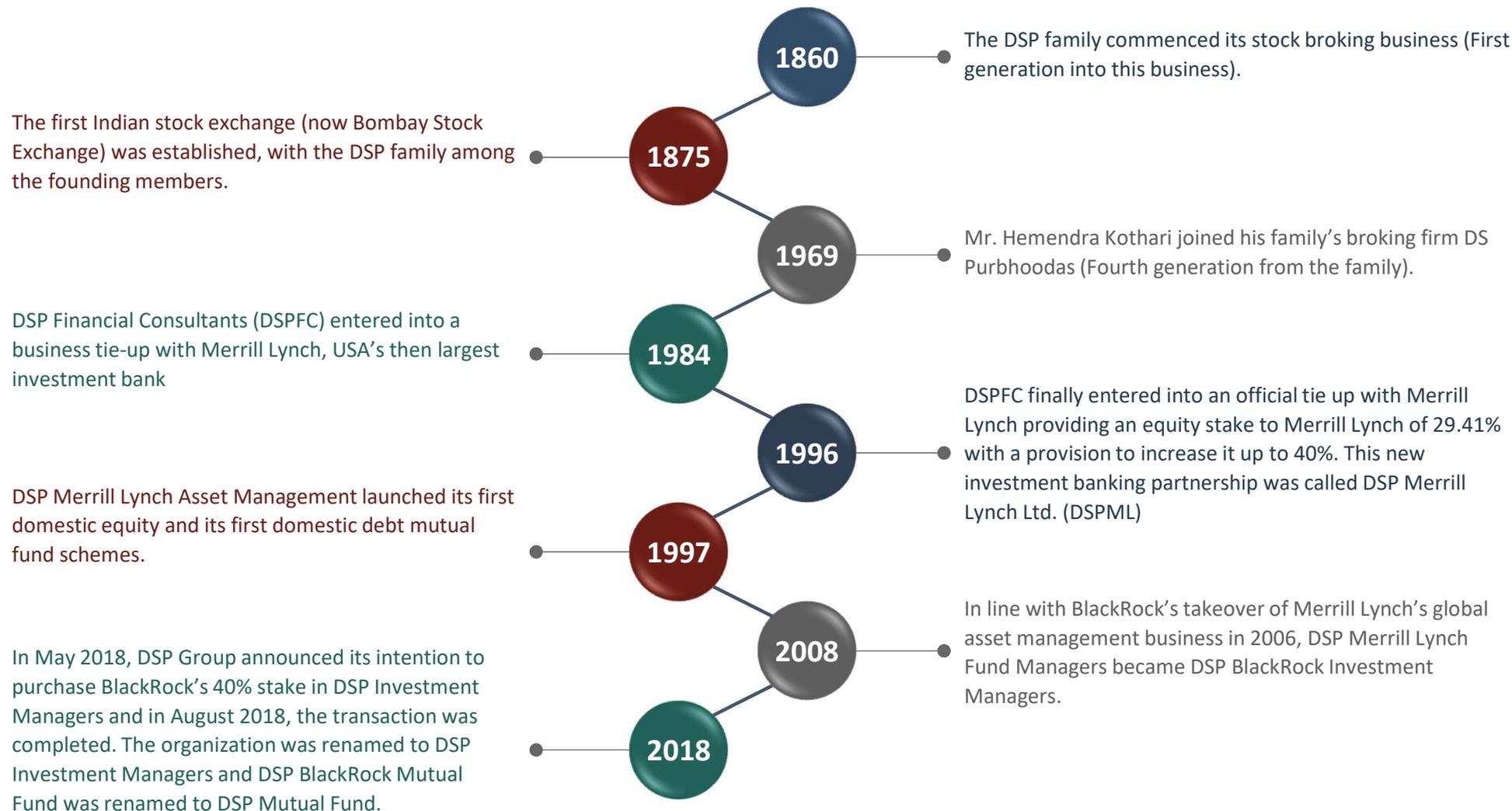
# Market-cap Classification: SEBI versus MSCI



Source: MSCI, SEBI, as of Jan 2022. SEBI is Securities and Exchange Board of India, the Indian securities market regulator. TMC = Total Market Cap, FFMC = Free Float Market-Cap. Indices are unmanaged and used for illustrative purposes only and are not intended to be indicative of any fund's performance. It is not possible to invest directly in an index.

# Evolution of DSP

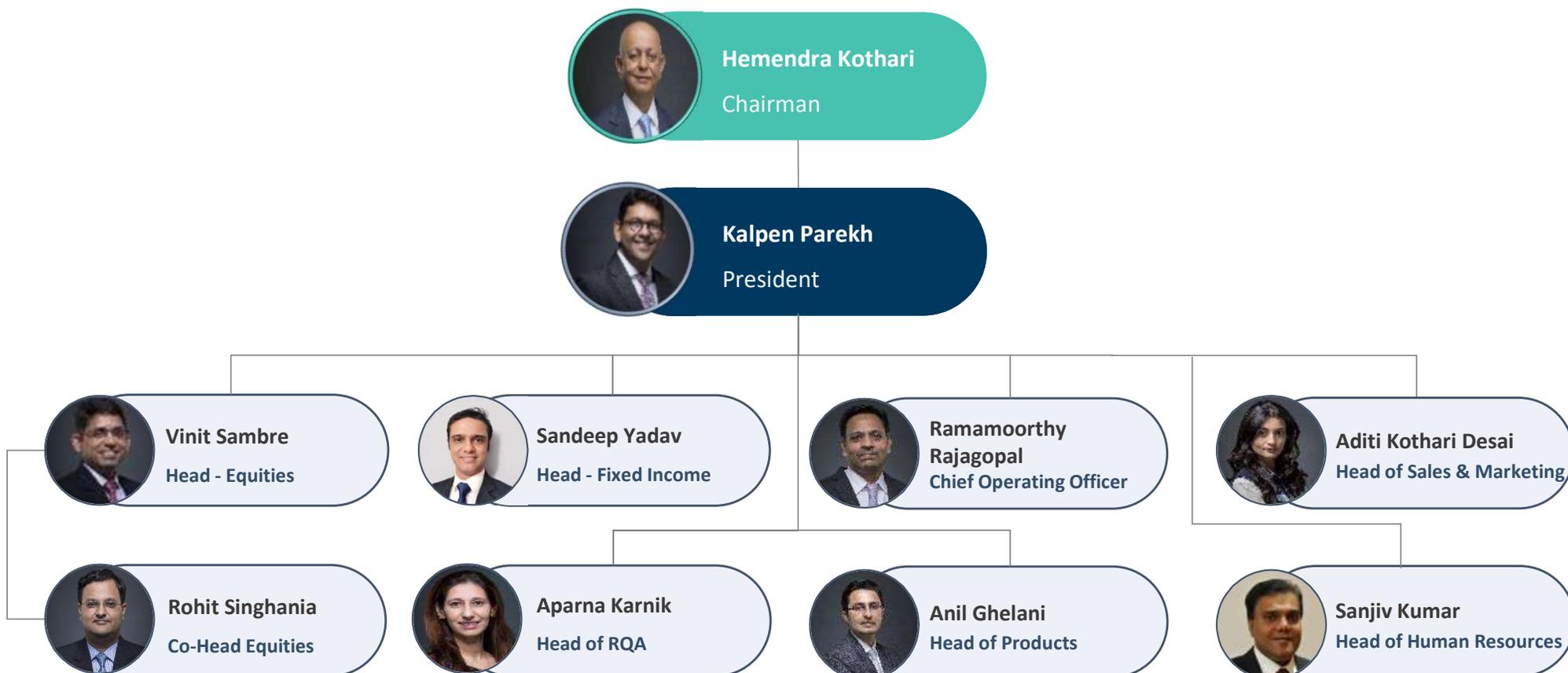
The DSP Group, headed by Mr. Hemendra Kothari is one of India's oldest financial services firms having commenced its stock broking business in the 1860's



Source: Internal



# DSP Organization Structure - Senior Management



Source: Internal, as at Aug 2021



# Incentives aligned to investment objectives

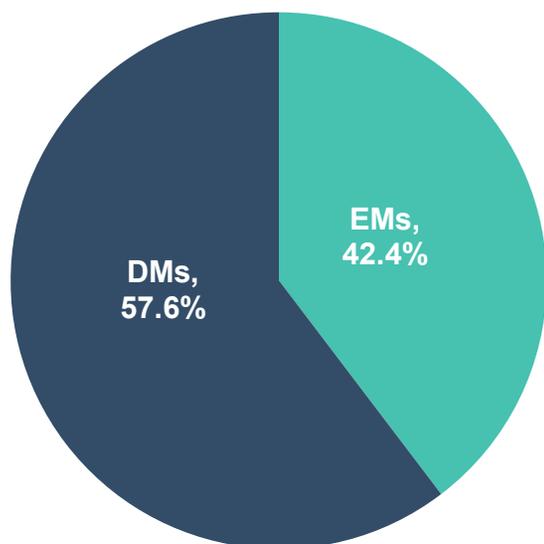
Factors driving performance - <b>Analysts</b>	Share
Model Portfolio outperformance	[ ]%
Fundamental attributes - Thesis, Extent of variation on chosen fundamental parameters	[ ]%
Hit ratios – Strong Buys outperforming Buys and so on	[ ]%

Factors driving performance – <b>Portfolio Managers</b>	Share
<b>Fund performance v/s Benchmark (for each fund managed by PM proportionate to fund AUM)</b>	
3Y and 1Y (rolling returns)	[ ]%
<b>Other activities</b>	
Active interaction, engagement, mentoring analysts, adherence to framework	[ ]%

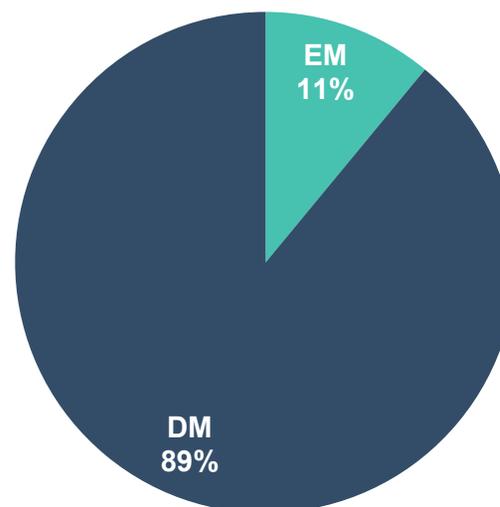
Source: Internal; Actual allocations to each factor may be discussed over a call.

# EMs under-represented in Global Equities compared to Global GDP

Global GDP Weights

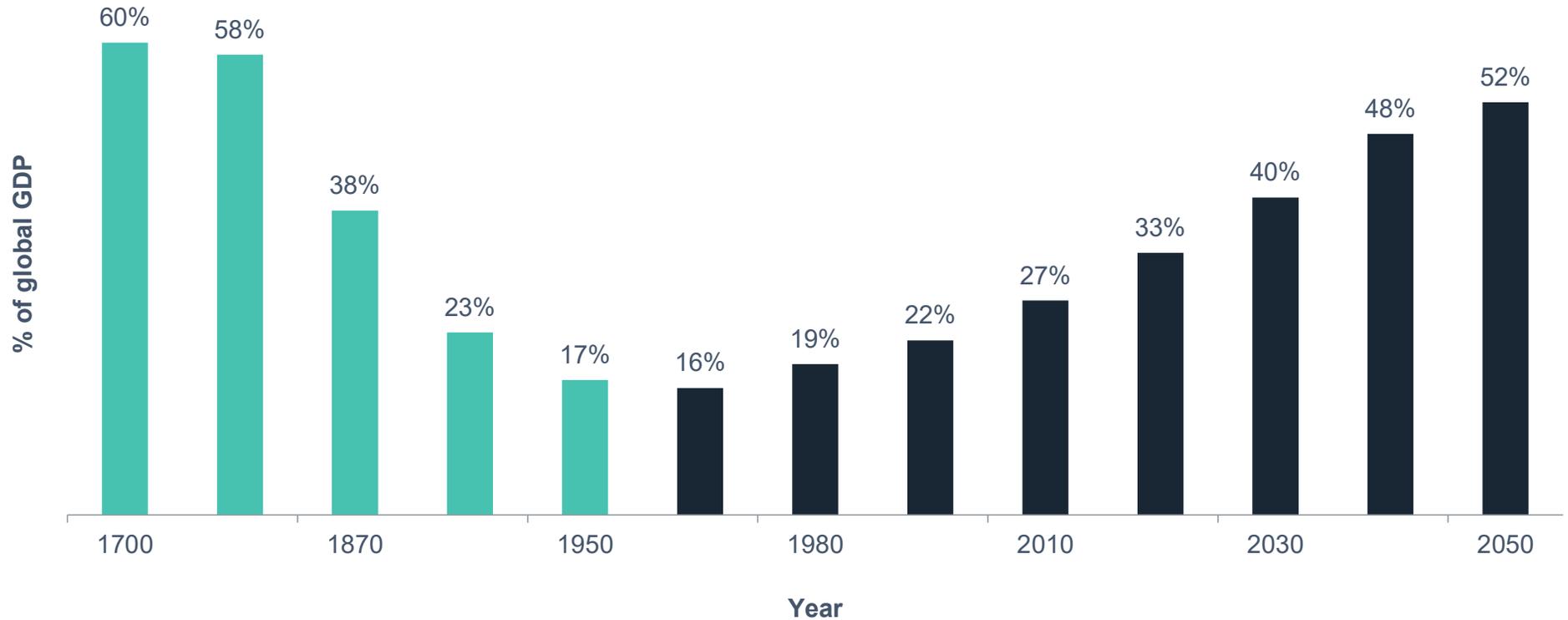


Global Equity Weights



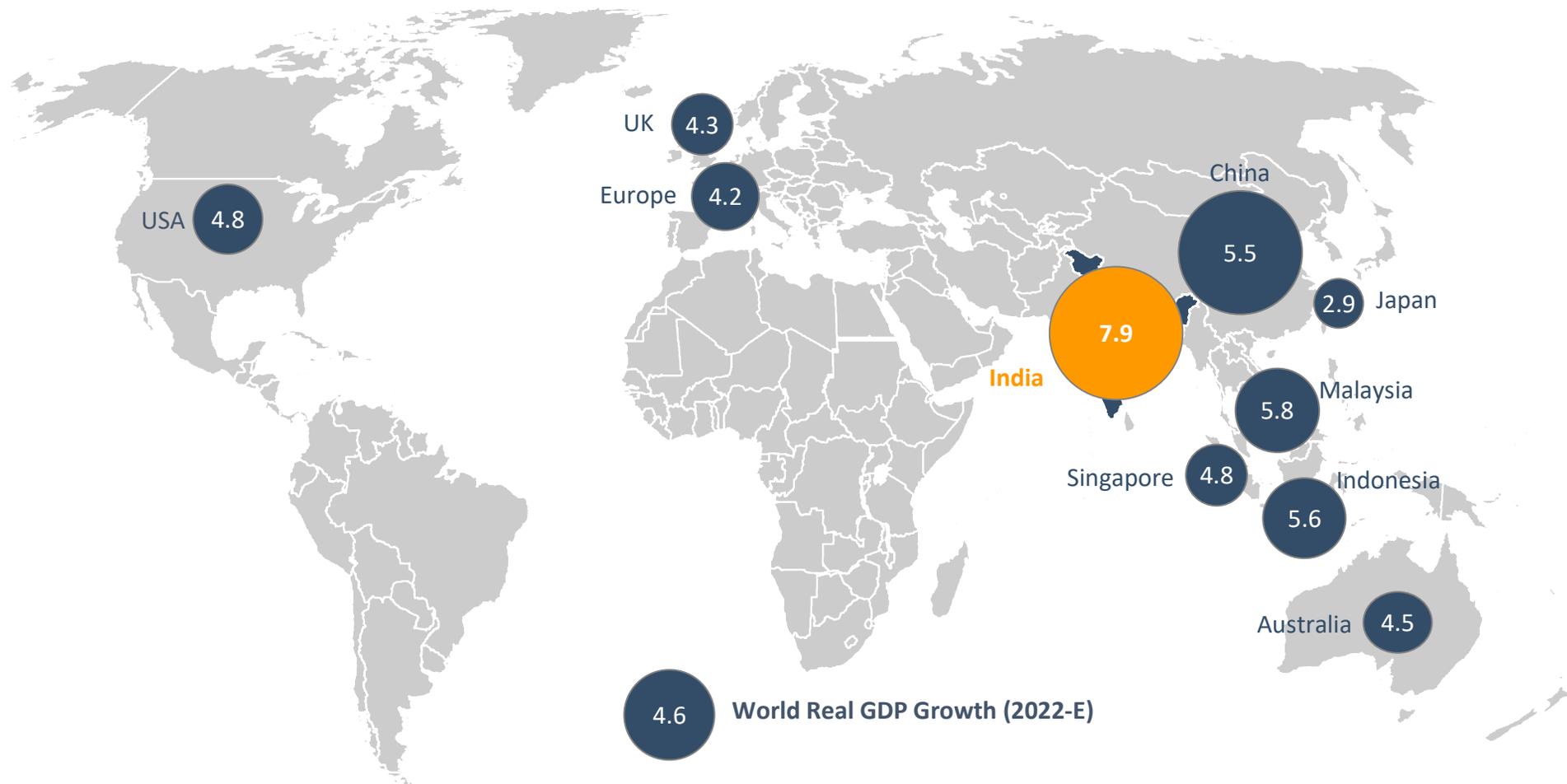
Source: IMF, World Economic Outlook Database, Morgan Stanley Research, January 2022; \*DM = Developed Market, EM = Emerging Market.

# Asia's Share in World GDP is steadily rising



Source : ADB, Morgan Stanley Research, as of January 2022

# India – Among the fastest growing large economies in the world\*



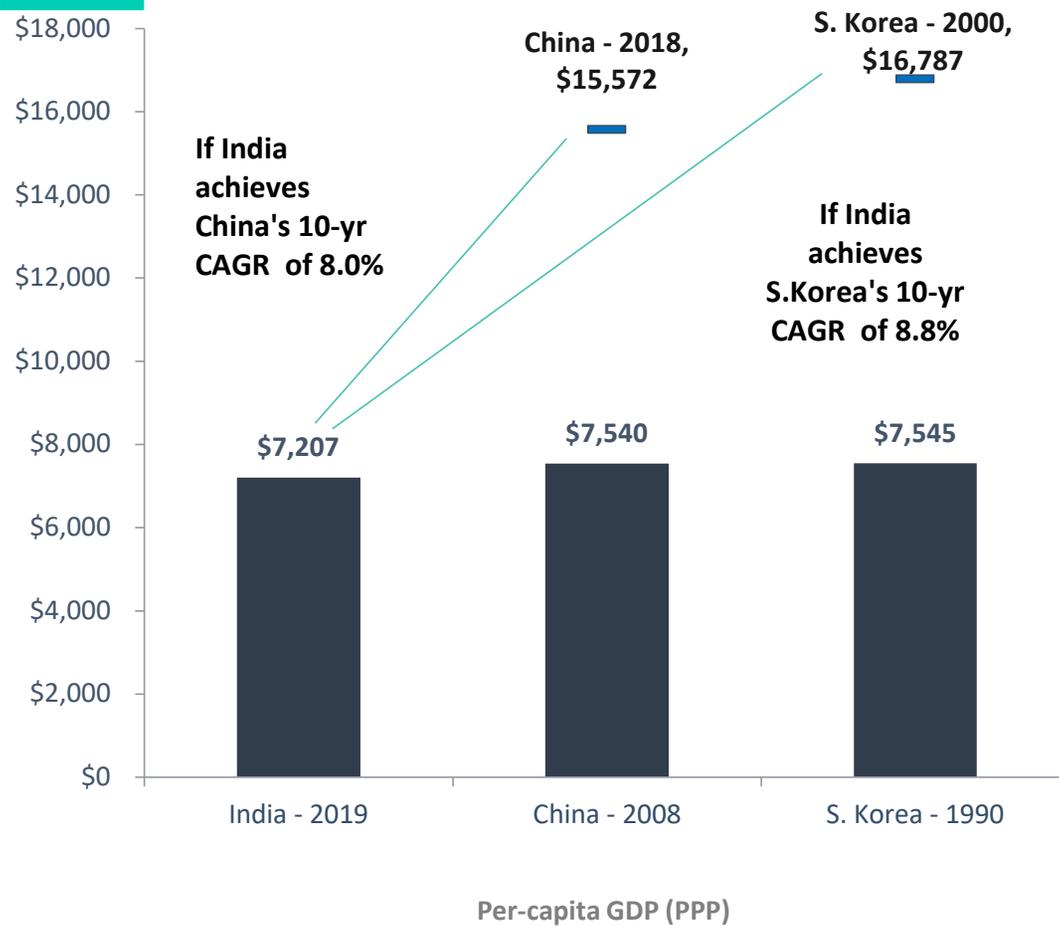
MSCI Country Index CAGR Returns (USD)	ACWI World	US	Europe	Japan	UK	China	India	Brazil	Russia	MSCI EM
10Y	10.7%	14.8%	7.2%	7.3%	4.8%	5.8%	8.6%	-3.2%	2.7%	4.8%
15Y	6.6%	9.6%	3.2%	2.7%	2.3%	5.7%	6.4%	1.4%	0.0%	4.6%
20Y	7.9%	8.7%	6.3%	5.8%	5.2%	11.4%	13.3%	9.4%	8.4%	9.1%

CAGR	10Y	15Y	20Y
USDINR Cross	-4.0%	-3.4%	-2.1%

Source: Morgan Stanley Research, as of 31 Jan 2022. \* Large economy refers to economies above US\$ 1.5 trillion in GDP.

# Is sustained 9 - 10% nominal GDP growth for a large economy even possible?



## 4 key themes which we believe will play out for India going forward

- 1 Penetration of Financial Services
- 2 Consumption story fast forwarded by Digitization
- 3 Infrastructure boom
- 4 Export Opportunities

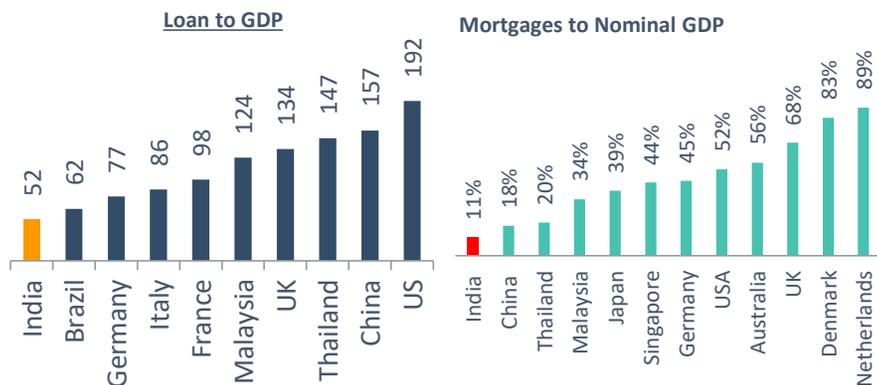
- China/South Korea grew per capita GDP at 8.0% / 8.8%, respectively, for 10 years from levels similar to India's US\$7,207 PPP adjusted 2018 per capita GDP.
- To convert to nominal GDP growth, we factor 1.5% population growth (assumed).
- **So 9 to 10% nominal GDP growth is certainly possible, over a 10 year period or longer.**

Source: Goldman Sachs Global investment Research, January 2022.

# India: Structural, not tactical

## 1 Banking, Insurance, Loans, mortgages, mutual funds all underpenetrated

Population	1,380 mn	MF Accounts	120.2 mn
Bank Accounts	1,571 mn	Demat Accounts	77.2 mn



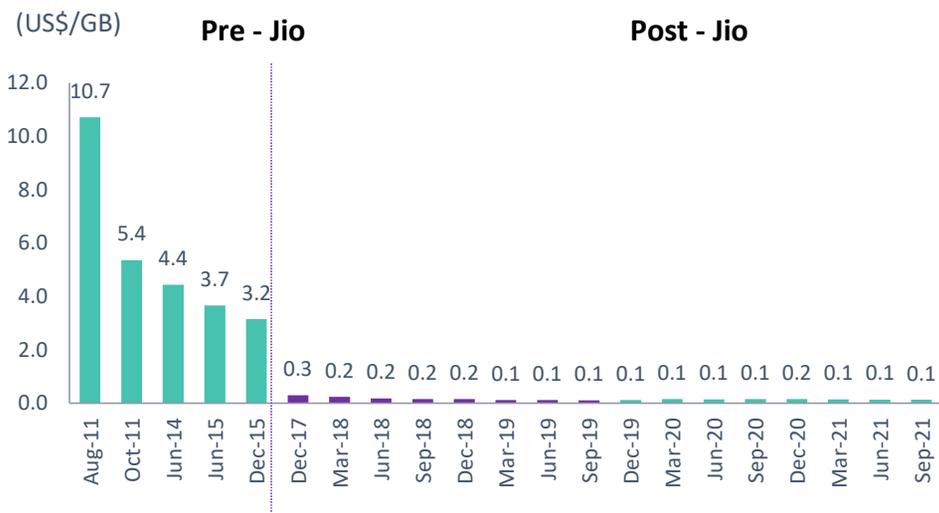
## 3 Tremendous runway for infrastructure growth

- HIGHWAYS** – only 2.3% of network, 64.5% of traffic
- PORTS** - ~224 ports versus China's ~2400 as of CY20
- AIRPORTS** - ~137 airports versus China's ~241 as of CY20
- RAILWAYS** - freight: 23.6 kmph; passengers: 50 kmph
- POWER** – 25% T&D losses
- HOUSING** – affordable housing schemes targeting 29mn households by 2022, across rural and urban areas

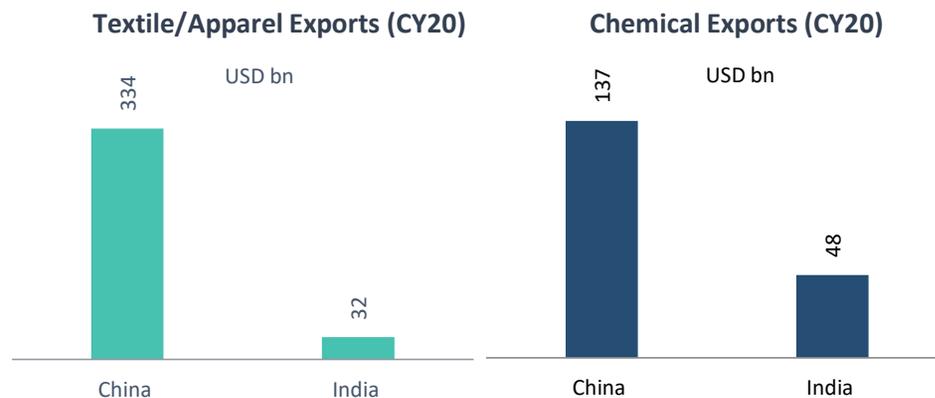
Source – Spark Capital Research, Jan 2022



## 2 Falling data costs boosting consumption



## 4 Export opportunities in Textiles and Chemicals

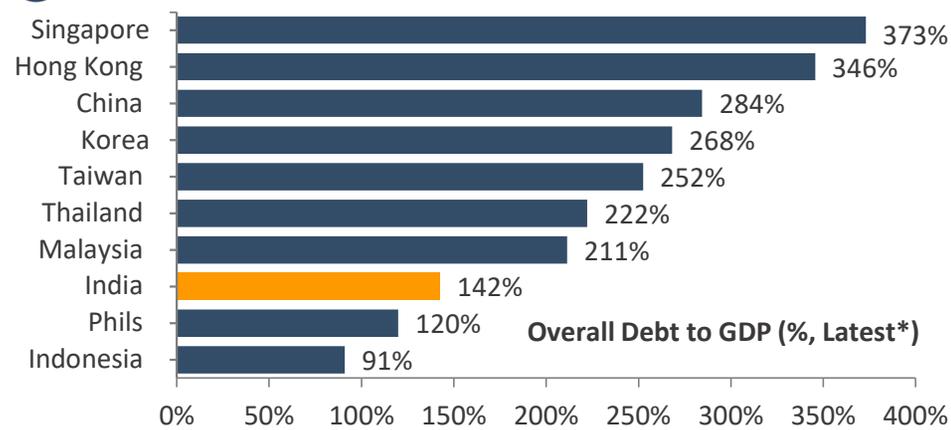


'LEVER': Perfectly fits the 'Make in India' theme (Labour rates, Exchange rates, Value Chain, Energy Cost, Raw-material)

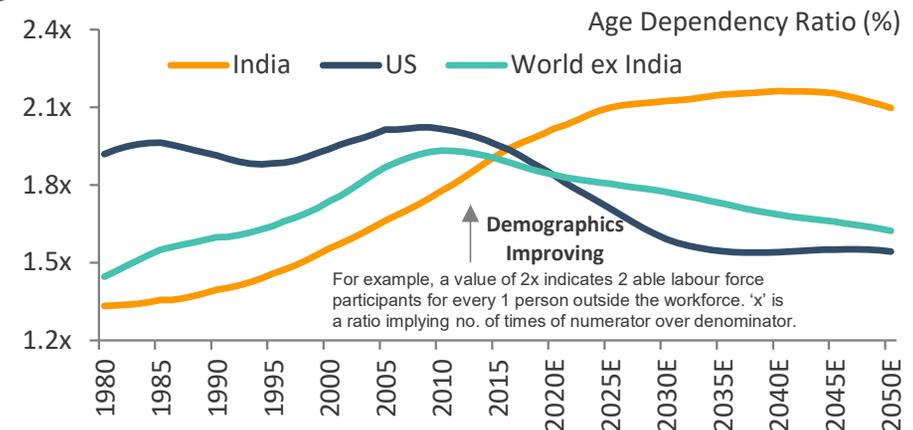
Environmental norms, Good chemistry knowledge, Cost of operations (labor), De-risking by global customers

# India Well Positioned on 3Ds: Debt, Demographics and Deflation

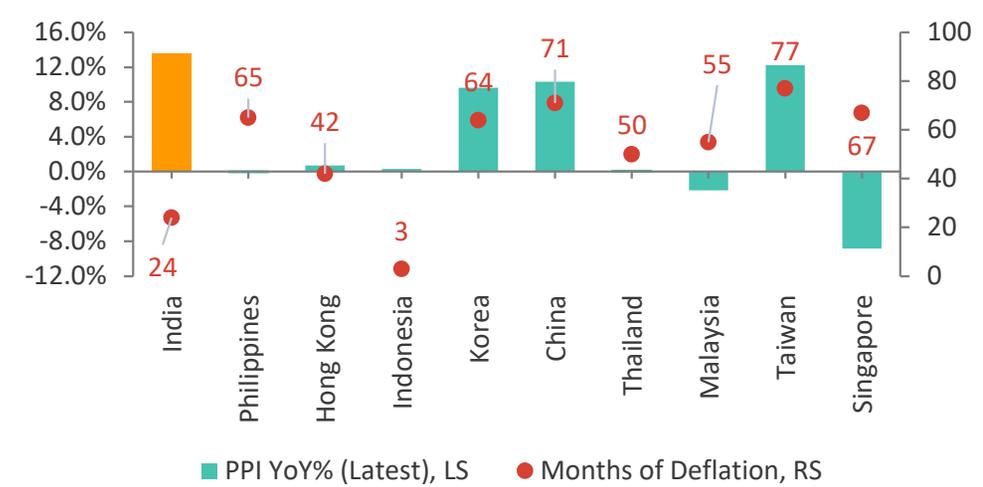
## 1 Debt: 6 out of 10 AXJ Countries Have Debt Above 200% of GDP



## 2 Demographics: Working age population improving in India



## 3 Deflation: India well placed combo of PPI & prior deflation

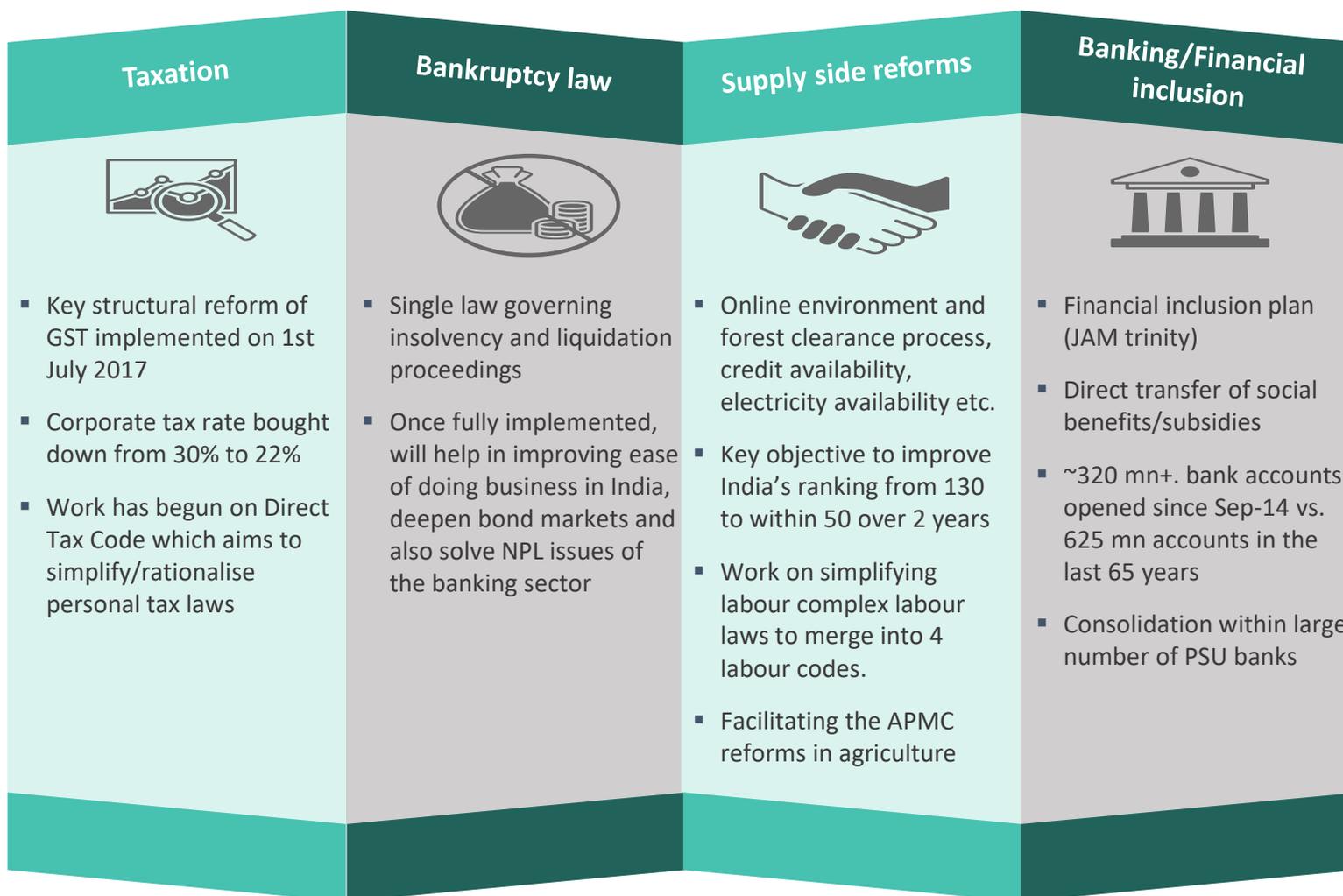


## 4 5 Key Reforms to Push Capex Higher

- **Reduction in corporate tax** to bring at par with Asian countries and **abolition of retrospective taxation.**
- **Factor market reforms** to ensure ease of doing business.
- **Production Linked Incentive(PLI)** schemes to develop indigenous manufacturing capabilities.
- Launch of National Infrastructure Pipeline , Gati Shakti, National Asset Monetisation Plan and Development Finance Institution to give a fillip **to infrastructure development.**
- **Revision of MSME definition** to encourage MSMEs to grow in size while creating an enabling environment to foster innovation & investment.

Source: Morgan Stanley (Panels 1,2 and 3), DSPIM (Panel 4).. There is no guarantee that any forecast make will come to pass. For Panel 1, \*Data as of 3Q21. For Panel 3, \*Latest as of Jul-19 for Malaysia, Sep-19 Philippines, Feb-20 for Thailand, Jun-20 for Indonesia and Dec 21 for others.

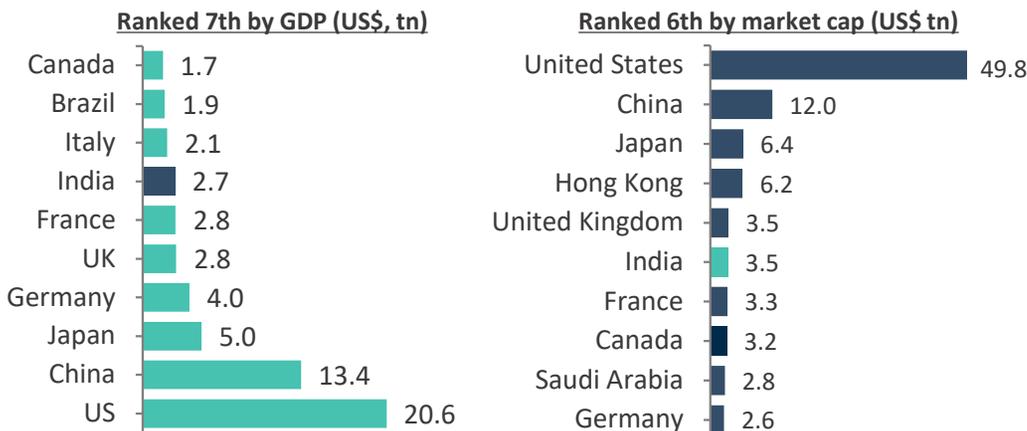
# Current Government's key reforms



Source: UBS Research, Aug 2020

# Why should one consider a direct India exposure? (i.e. not via EM)

## 1 India expected to be 3rd largest economy in ten years



## 2 Low representation in global indices

### MSCI All Country World Index

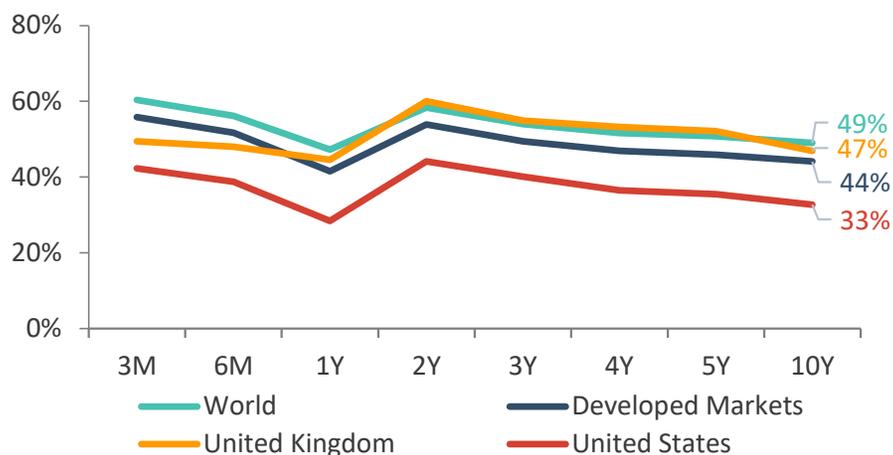
Country	Holding
USA	60.3%
Japan	5.6%
UK	3.8%
France	3.0%
Germany	3.0%
Canada	2.2%
<b>India</b>	<b>1.4%</b>
Other	100.0%

### MSCI Emerging Markets Index

Country	Holding
China	32.4%
South Korea	11.8%
Taiwan	16.0%
<b>India</b>	<b>12.3%</b>
Brazil	4.6%
Others	22.9%

India is only 1% of MSCI ACWI, but contributes ~3% to world GDP and market-cap.

## 3 Low correlation of India with global markets



## 4 Variety of robust structural reforms undertaken in last few years; To have non-linear positive impact going forward

Structural Reforms	
Goods and Services Tax	Aadhaar
Coal Mining	Financial Inclusion
Insurance Sector	Fuel Price Deregulation
Banking	Power
Labor	Anti- Black Money / Corruption
Corporate Tax Reform	Governance
Real Estate Regulation	SOE Privatisation
Land Acquisition	Manufacturing (Production Linked Incentives)
Agri	

Source: Morgan Stanley, 7 Feb 2022 (World – MSCI All Country World Index, DM – MSCI The World index; USA – MSCI USA; UK- MSCI United Kingdom). MSCI India index data based on total returns with dividend reinvestment. It is not possible to invest directly in an index investment. It is not possible to invest directly in an index.

## India - Well-diversified across sectors

MSCI Sectors	India	China	Korea	Taiwan	Hong Kong	Singapore	Malaysia	Indonesia	Australia
Energy	11%	2%	2%	0%	0%	0%	4%	4%	4%
Materials	10%	3%	7%	5%	0%	0%	9%	8%	25%
Industrials	5%	6%	7%	3%	15%	7%	7%	0%	5%
Consumer Discr	8%	28%	9%	2%	5%	2%	4%	7%	7%
Consumer Staples	8%	6%	3%	1%	2%	3%	12%	8%	5%
Financials	25%	16%	9%	14%	47%	54%	38%	55%	33%
Health Care	5%	6%	5%	0%	0%	0%	8%	2%	10%
Information Technology	18%	6%	48%	72%	0%	2%	2%	0%	2%
Communication Services	3%	20%	9%	2%	1%	17%	9%	15%	2%
Utilities	5%	3%	1%	0%	10%	0%	8%	0%	1%
Real Estate	1%	4%	0%	0%	19%	15%	0%	0%	6%
<b>Top 2 Sector Weights</b>	<b>42.90%</b>	<b>47.90%</b>	<b>57.80%</b>	<b>85.30%</b>	<b>66.50%</b>	<b>71.10%</b>	<b>49.80%</b>	<b>70.50%</b>	<b>57.90%</b>

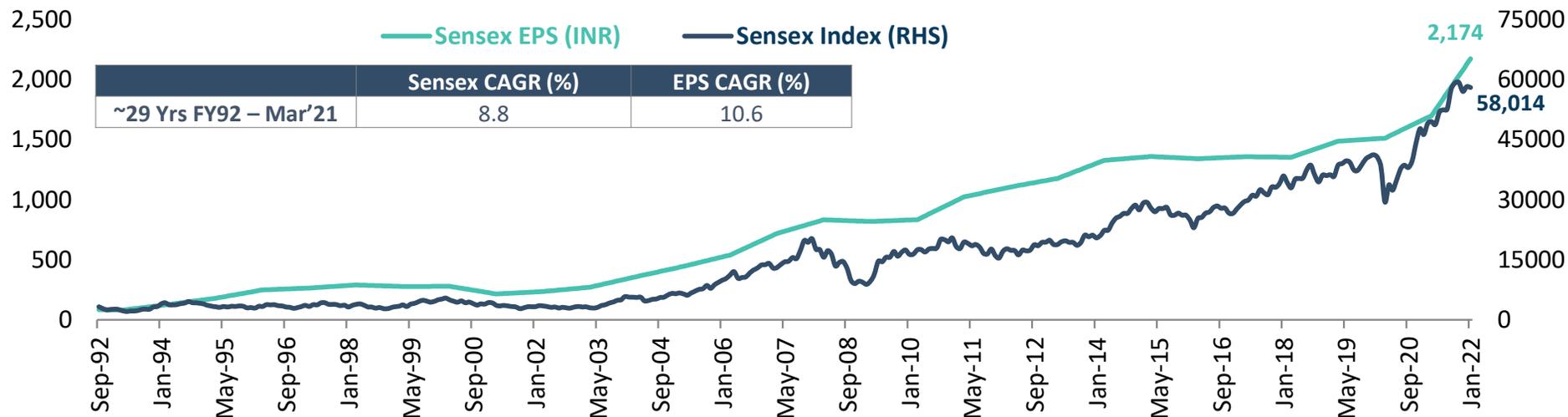
India is well diversified across sectors

As on 7 Feb 2022 | Source: Morgan Stanley. Based on MSCI Indices

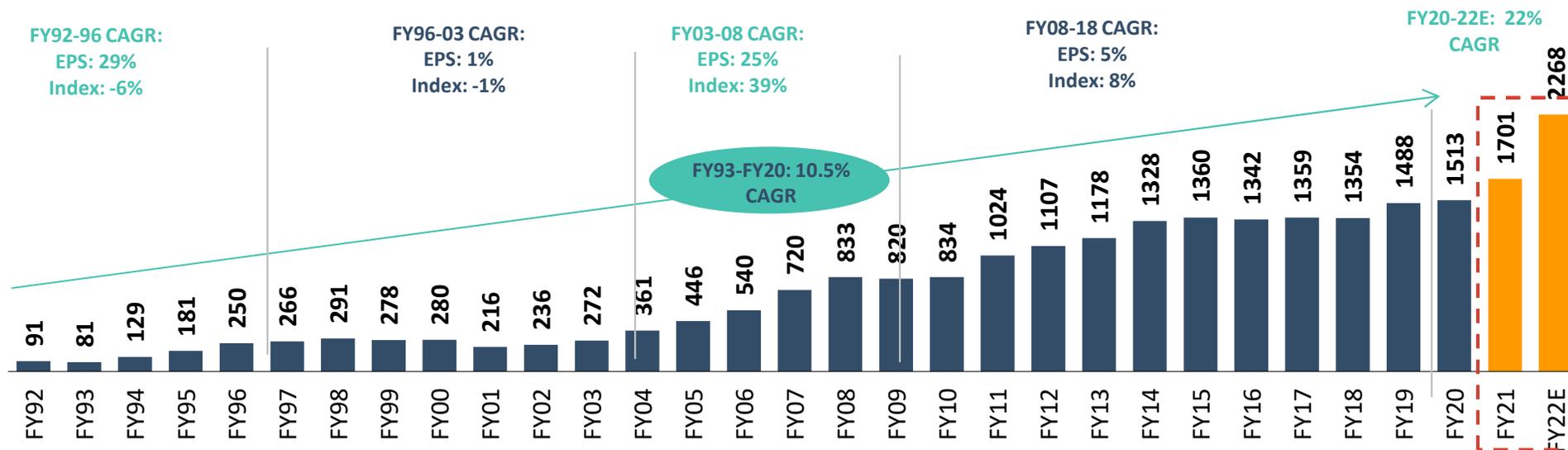
Indices are unmanaged and used for illustrative purposes only and are not intended to be indicative of any fund's performance. It is not possible to invest directly in an index. Past performance is not a reliable indicator of future results

# Earnings: It's what really matters the most

BSE Sensex Index v/s EPS

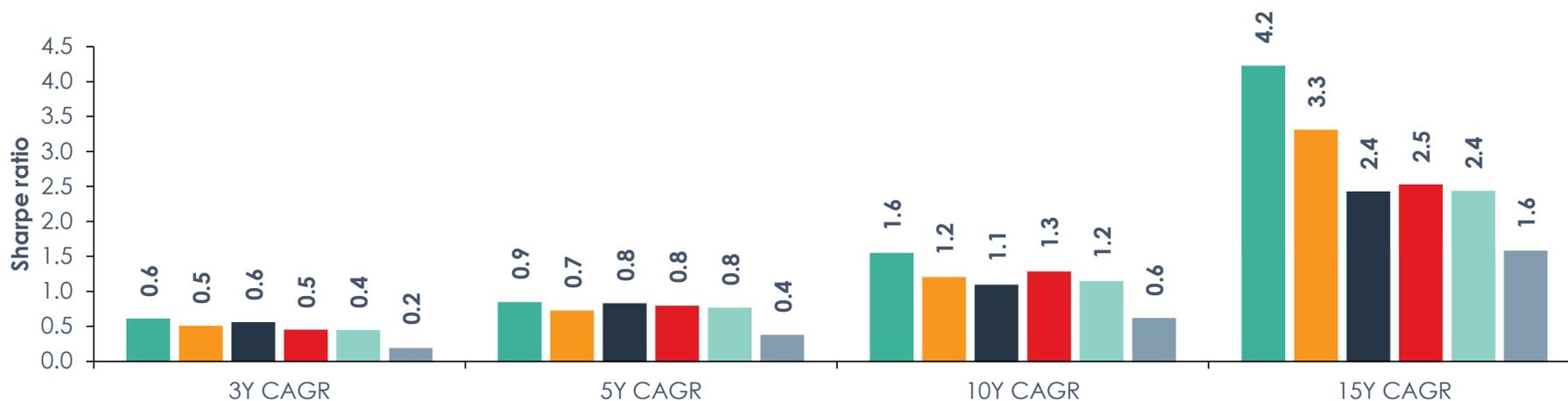
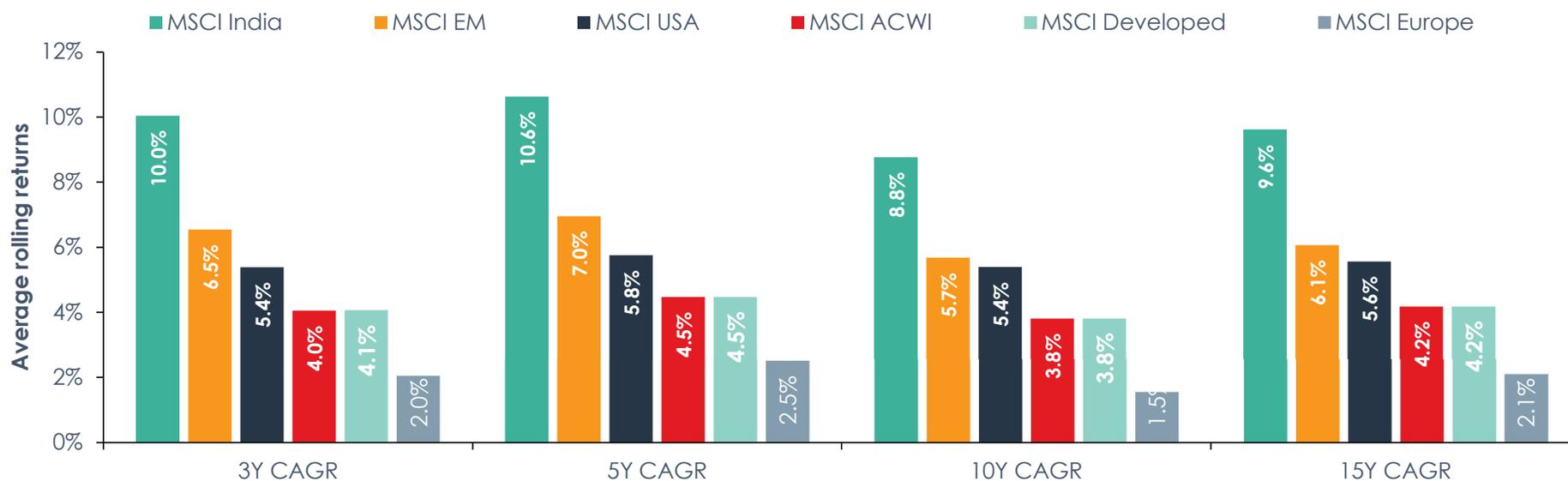


Earnings growth likely to average around 22% for FY20-FY22E



Source: MOFSL. Data as of 31 Jan 2022. CAGR – Compounded annualized growth rate. FY Note: There is no guarantee of returns/income generation in the Scheme. Further, there is no assurance of any capital protection/capital guarantee to the investors in the Scheme. Forecasts may not come to pass.

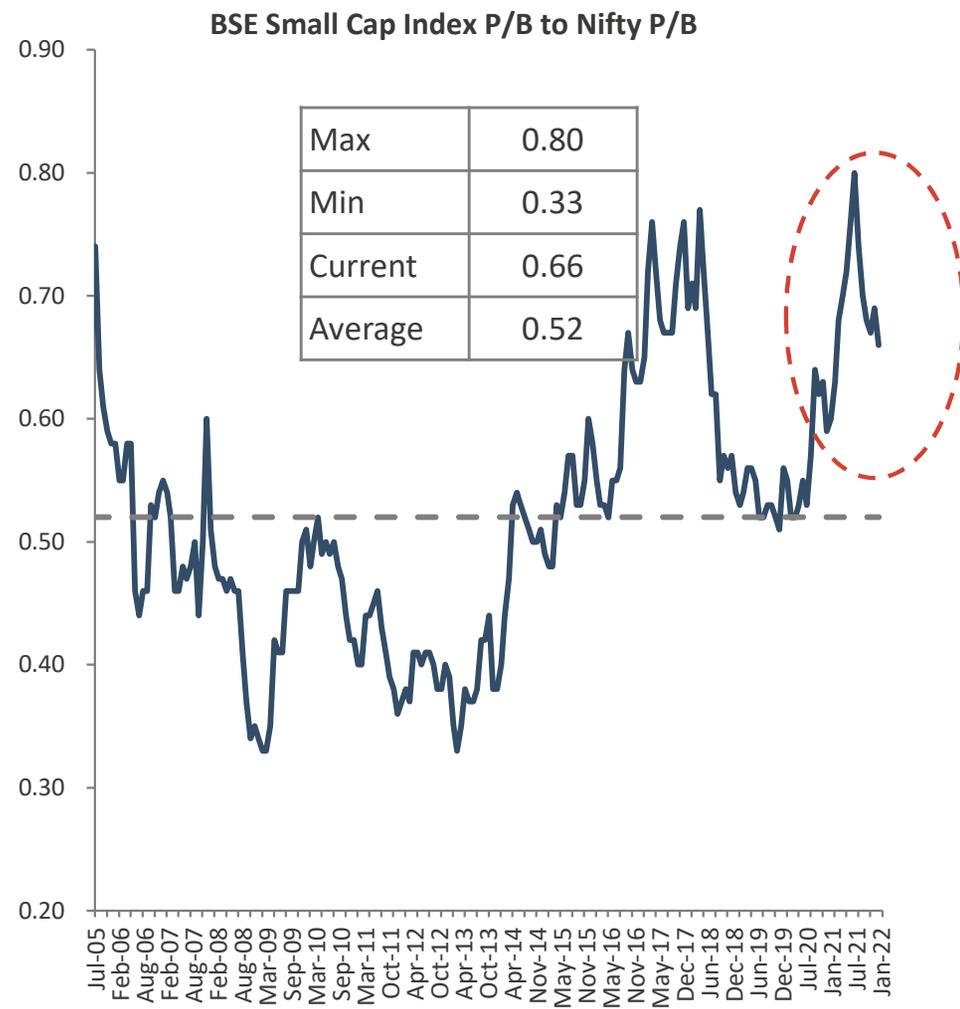
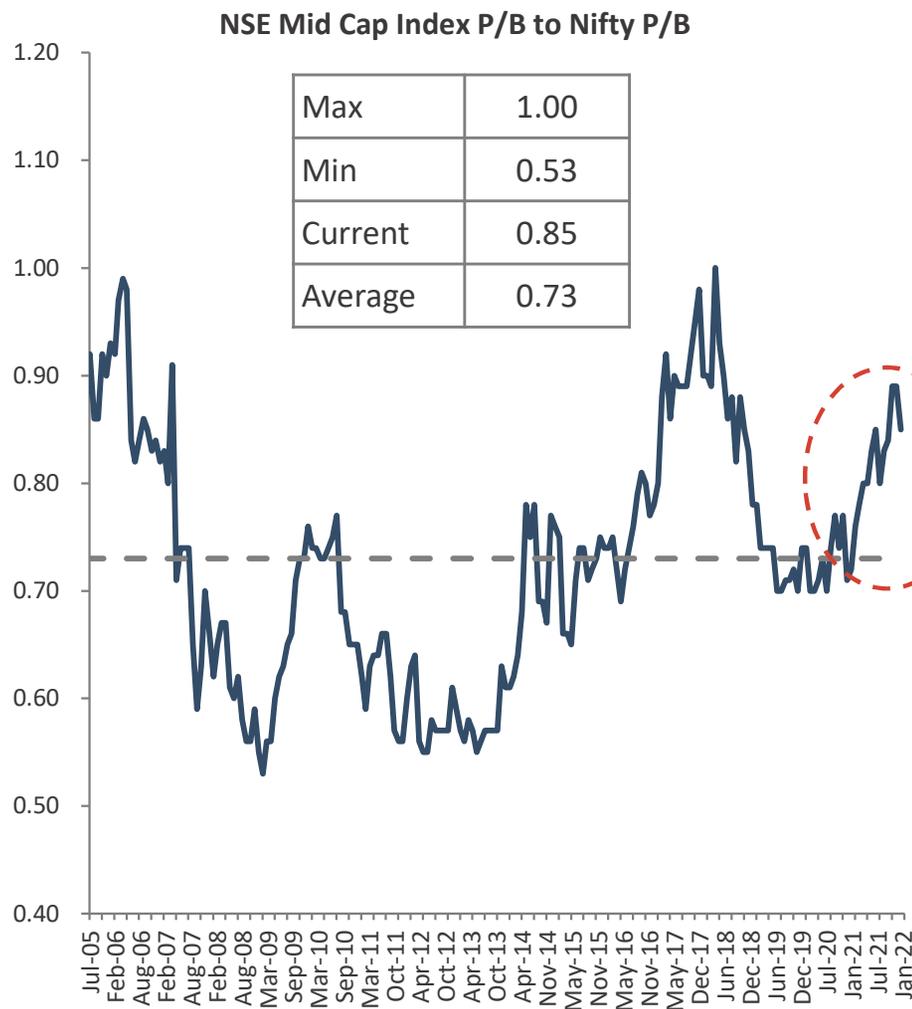
# Active managers have consistently outperformed passive



Source: Bloomberg; Note: Sharpe ratio has been calculated as the average of rolling 3/5/10/15 year returns (since 1st Jan 1999) divided by the standard deviation of all 3/5/10/15 year returns respectively. Mutual funds with less than 3 year AUM history have been excluded from this analysis. All returns are calculated in USD terms. Latest data as of 31 Jan 2022.

# Small and Mid Cap Valuation Differential

Kindly note that the following 'mid' and 'small' cap nomenclature is from an Indian regulator (SEBI) perspective. Accordingly, the strategy has > 65% invested in the 'mid' cap bucket at all points (i.e. chart on the left is more relevant



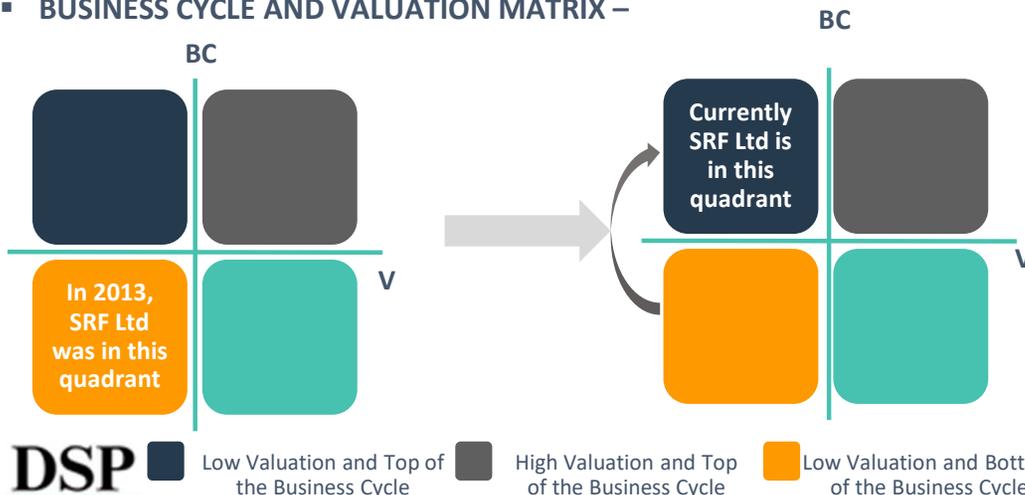
Source: Bloomberg , Ambit research, 31<sup>st</sup> January 2022.

# Historical portfolio holding examples - SRF Ltd

Commodity Business to IP Driven company

- **ECONOMIC MOAT** – Unique chemistry skill within specialty chemicals and refrigerant gases
- **COMPETITIVE ADVANTAGE** – Long lead time to win orders, continuous R&D on process technology and ability to withstand adverse business cycle
- **MANAGEMENT** – ROE Focused. Moved from commodity type to IP driven business which helped to increase Return of Invested Capital (ROIC) of the company
- **LONGEVITY OF GROWTH** –
  - Within the Specialty chemical market, the company has less than 1% exposure in USD 50 bn global agro market thereby providing a runway for growth going forward
  - Refrigerants caters to cooling solutions for Auto and Building, which are significantly underpenetrated in India
  - Having cost competitiveness, it has large export market to cater as well

## ▪ BUSINESS CYCLE AND VALUATION MATRIX –



Time Frame: FY14 to FY21

Sales Growth	EBITDA Growth	PAT Growth	Returns
2.1x	4.2x	7.4x	>30x



Source: DSP Investment Managers – internal research, Factset

*The sector(s)/stock(s)/issuer(s) mentioned in this presentation do not constitute any research report/recommendation of the same and the Representative Portfolio may or may not have any future position in these sector(s)/stock(s)/issuer(s).*

Note: In the BCV quadrant illustration alongside, companies experiencing an improving Business Cycle (low to high) are typically favorable investments. However, this needs to be seen in conjunction with Valuations. While lower valuations usually provide good entry points, during times of market euphoria, this might push investors into investments that turn out to be value traps. In general, we would look to trim our weights in companies at the top of the Business Cycle and which have discomfoting valuations.

# Historical portfolio holding examples – Supreme Industries

## Driven by ROCE obsession

- The company has been in existence for ~78 years
- Very high standard of corporate governance
- Largest producer of plastics and allied products in India with diversified product portfolio across industrial, B2C and patented products
- Prudent capital allocation reflected in healthy return ratios of the company consistently
- Enjoys healthy market share in each of its product portfolio
- Strong distribution network with more than 3400 channel partners which acts as entry barrier
- Increase in capex intensity to drive growth in the medium term.

SUPREME INDUSTRIES - ROE



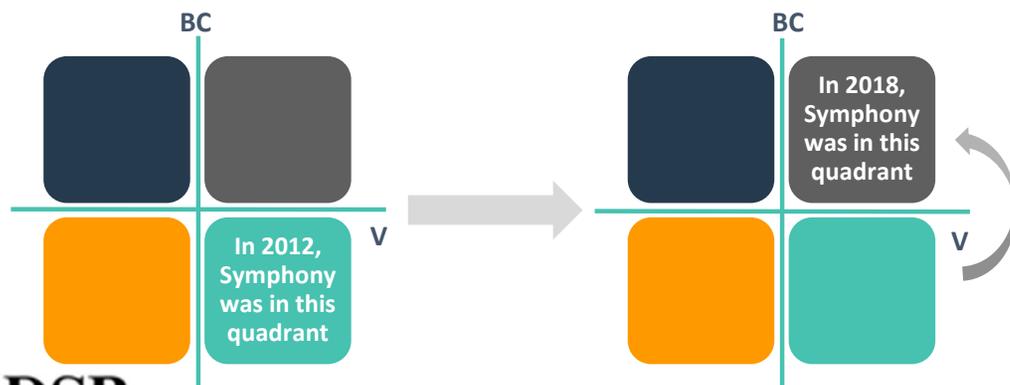
Source: Internal, Bloomberg, Jan 2022. The sector(s)/stock(s)/issuer(s) mentioned in this presentation do not constitute any research report/recommendation of the same and the Representative Portfolio may or may not have any future position in these sector(s)/stock(s)/issuer(s).

# Historical portfolio holding examples - Symphony

## Focused approach

- **ECONOMIC MOAT** – Product Innovation. Consistently adding product portfolio every year to improve customer experience. The business model ticks all boxes of what we say as “HedgeHog Effect”\*
- **COMPETITIVE ADVANTAGE** – Largest Air Cooler player with 50% market share in Organized market in India. Asset Light model with strong focus on distribution (network with access to 1000+ distributors and 30000+ dealers)
- **MANAGEMENT** – Generates superior ROE and ROCE on a consistent basis.
- **LONGEVITY OF GROWTH** –
  - 50% market share in organized player. Unorganized market players have substantial market share in air cooler market. With the introduction of GST, Shift of Unorganized to Organized, would enable to the company to grow sustainably.
  - Scaling into Industrial cooling would add to further growth in revenues and diversification to overseas market will help in moderating the impact of seasonality.

## BUSINESS CYCLE AND VALUATION MATRIX –



\*HedgeHog Effect: Coined from the book “Good to Great – Why some companies make the leap and other don’t” written by Jim Collins

Low Valuation and Top of the Business Cycle

High Valuation and Top of the Business Cycle

Low Valuation and Bottom of the Business Cycle

High Valuation and Bottom of the Business Cycle

## Time Frame: FY13 to FY18

Sales Growth	PAT Growth	Average ROE	Returns (Dec'12 – Jan'18)
2.1x	3.2x	35%	>11x

## Symphony



Source: DSP Investment Managers – internal research, Factset

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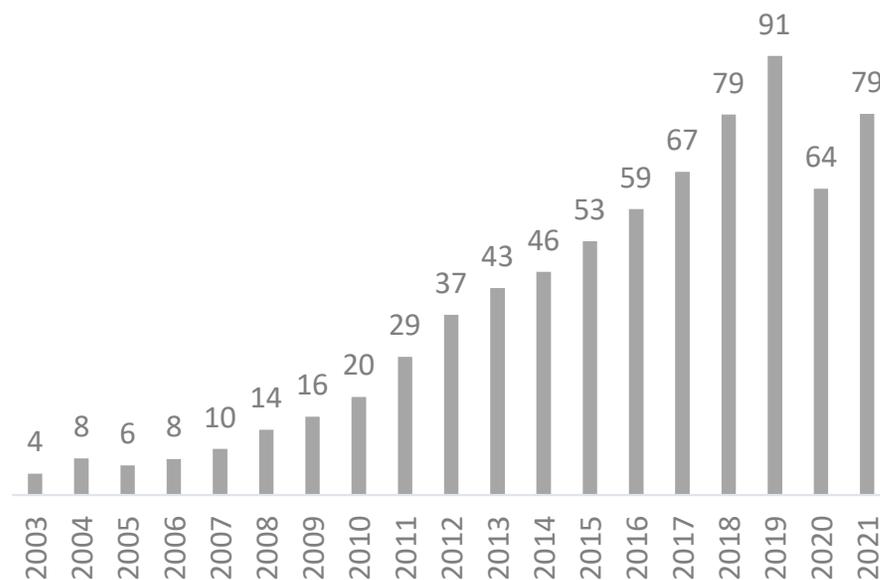
Note: In the BCV quadrant illustration alongside, companies experiencing an improving Business Cycle (low to high) are typically favorable investments. However, this needs to be seen in conjunction with Valuations. While lower valuations usually provide good entry points, during times of market euphoria, this might push investors into investments that turn out to be value traps. In general, we would look to trim our weights in companies at the top of the Business Cycle and which have discomfoting valuations.

# Historical portfolio holding examples – City Union Bank

## Boring banking drives 110+ years of profits and dividend payout

- The company has been in existence for ~115 years
- City Union Bank (CUBK) is amongst the few banks in the world to have just 7 CEOs appointed in 100+ years of operations – highlight of management consistency and stability
- Focused on its roots even today i.e. lending to small business traders which is 50%+ of advances. Relationship based banking with increasing blend of technology
- CUBK has 0.4% loan market share today and focus remains on replicating the business model across India
- Ultimate credit losses (write-offs) have been less than 100bp over last 10 years
- Consistently delivering above industry average return on assets and equity

PAT (USD. Mn)



Note: Dividend was not paid in FY21 due to regulatory guidelines on not allowing any bank to pay dividend.

Source: Internal, Bloomberg, Jan 2022. The sector(s)/stock(s)/issuer(s) mentioned in this presentation do not constitute any research report/recommendation of the same and the Representative Portfolio may or may not have any future position in these sector(s)/stock(s)/issuer(s). PAT = Profit after tax.

# Historical portfolio holding examples - Infosys

## We assess & evaluate temporary disruption as possible opportunities

- ▶ Under new leadership business had started showing signs of improvement. Salil Parekh joined in Jan 2018
- ▶ Faced whistleblower problem in Oct 2019, evaluated in-depth and concluded that it was a bit frivolous
- ▶ Whistleblower led to steep correction – Buy or sell ?
- ▶ Provided good entry opportunity – stock was available at 13-14X



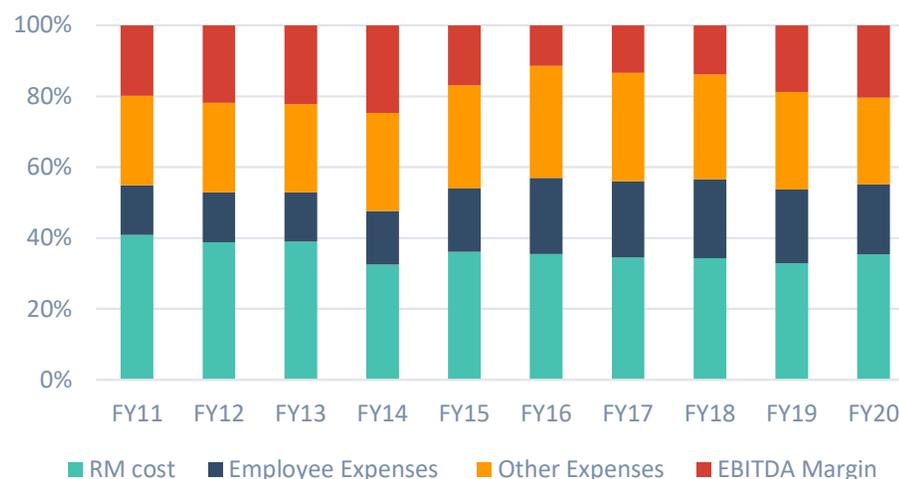
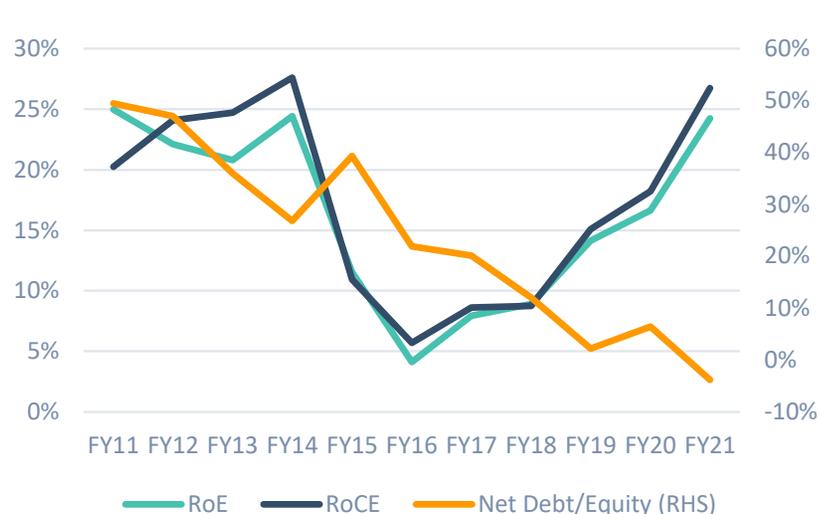
10 yr Average	
ROCE	35%
PAT CAGR	10%
Dividend Payout	44%

Source: Internal, Bloomberg, Nov 2020. The sector(s)/stock(s)/issuer(s) mentioned in this presentation do not constitute any research report/recommendation of the same and the Representative Portfolio may or may not have any future position in these sector(s)/stock(s)/issuer(s). The figures refer to the past and that past performance is not a reliable indicator of future results. PAT = Profit After Tax. ROCE = Return on capital employed.

# IPCA Laboratories Ltd

## Strong management, superior ROCE and cost efficient pharma play

- ▶ Vertically integrated into API – gives huge cost advantage
- ▶ One of the most capital efficient companies within the sector – average ROCE FY10-15 = 25%
- ▶ Faced USFDA challenges in 2014 which still persist. IPCA has grown out of those problems by keeping costs under control and growing the non US business
- ▶ ROCE cracked from 28% in FY14 to 6% in FY16; now back to 27% in FY21



Source: Internal, Bloomberg, Feb 2022. The sector(s)/stock(s)/issuer(s) mentioned in this presentation do not constitute any research report/recommendation of the same and the Representative Portfolio may or may not have any future position in these sector(s)/stock(s)/issuer(s). The figures refer to the past and that past performance is not a reliable indicator of future results.

## Composite BM Performance (Since Dec 2000)

Average Daily Rolling Return	3Y	5Y	7Y	10Y
MSCI India Index	12.9%	12.1%	10.2%	9.2%
MSCI Small Cap Index	17.9%	16.2%	13.2%	11.3%
Custom 20:80 Composite Index	17.2%	15.6%	12.8%	11.0%

Return / Risk (Rolling basis)	3Y	5Y	7Y	10Y
MSCI India Index	0.78	0.91	1.14	1.50
MSCI Small Cap Index	0.67	0.81	1.03	1.38
Custom 20:80 Composite Index	0.68	0.82	1.04	1.40

Source: Bloomberg. Data from Dec 2000 to January 2022. Past performance is not a reliable indicator of future results. Large & mid cap active composite consists of stocks with total market cap rank between from 1 to 100. Small Cap active composite consists of stocks with total market cap rank between from 101 to 250. All figures in USD

## Benchmark Performance, as of months ending

	31/01/2021 to 31/01/2022	31/01/2020 to 31/01/2021	31/01/2019 to 31/01/2020	31/01/2018 to 31/01/2019	31/01/2017 to 31/01/2018
MSCI India Index	28.49%	13.76%	8.82%	-12.12%	37.55%
MSCI India Small Cap Index	44.96%	15.21%	7.79%	-29.36%	53.34%
DSP Strategy	25.61%	13.77%	20.07%	-20.81%	34.58%
India Focused UCITS	22.86%	12.60%	11.03%	-17.36%	35.96%
Custom 20:80 Composite Index	41.67%	14.92%	7.99%	-25.91%	50.18%
MSCI ACWI Index	11.58%	15.09%	13.73%	-9.32%	25.06%
MSCI USA Index	19.27%	17.91%	19.51%	-4.16%	23.80%
MSCI Europe Index	10.48%	4.17%	10.10%	-16.29%	25.95%
MSCI Japan Index	-4.12%	12.60%	8.81%	-13.13%	23.01%
MSCI UK Index	15.58%	-10.46%	4.04%	-14.60%	19.22%
MSCI China Index	-30.20%	43.62%	3.65%	-21.44%	59.14%
MSCI Brazil Index	-6.23%	-21.23%	-4.14%	-3.13%	27.71%
MSCI Russia Index	5.94%	-16.78%	20.59%	-4.74%	13.14%
MSCI EM Index	-9.13%	25.15%	1.18%	-16.31%	37.98%
MSCI Developed Index	14.93%	13.63%	15.48%	-8.35%	23.48%

Source: Bloomberg, Internal. All returns in USD terms, as of 31<sup>st</sup> January 2022. The DSP Strategy has been implemented since 14 Nov 2006 through certain products managed by DSP Investment Managers Pvt. Ltd., which are not available for investment in any jurisdiction except for India. India Focused UCITS refers to a composite of all funds that invest into India via the UCITS platform. The custom 20:80 Index is an index weighted as 20% MSCI India Index and 80% MSCI India Small Cap Index. Large & mid cap active composite consists of funds falling in the large cap category as defined by the Indian regulator SEBI – Securities and Exchange Board of India. Small cap active composite consists of funds falling in the mid cap category as defined by the Indian regulator SEBI. For further details on MSCI and SEBI categories, please refer to the slide in the Appendix titled ‘Market-cap Classification: SEBI versus MSCI’.

## Stock Performance, as of months ending

	31/01/2021 to 31/01/2022	31/01/2020 to 31/01/2021	31/01/2019 to 31/01/2020	31/01/2018 to 31/01/2019	31/01/2017 to 31/01/2018
SRF	124.10%	-71.62%	88.13%	12.78%	3.97%
Infosys	40.12%	59.68%	3.52%	30.33%	23.87%
Symphony	-0.51%	-17.41%	4.70%	-36.17%	37.02%
Ipca Laboratories	11.73%	-26.30%	63.29%	33.93%	7.42%

Source: Bloomberg, Internal. All returns in INR terms, as of 31<sup>st</sup> January 2022. The figures refer to the past and that past performance is not a reliable indicator of future results.

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